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EVALUATION OF SIX LIGHT-DENSITY RAIL LINES IN PENNSYLVANIA

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The Rail Services Planning Office of the Interstate Commerce Commission is publishing herewith the results of evaluations of six light-density rail lines in Pennsylvania. These evaluations were performed at the request of the Commonwealth of Pennsylvania, which was made pursuant to section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, 45 U.S.C. 701.

ROBERT L. OSWALD,
Secretary.

PREFACE

On May 4, 1976, the Commonwealth of Pennsylvania exercised its right under section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, to request that the Rail Services Planning Office of the Interstate Commerce Commission evaluate the economic viability of six light-density lines within the Commonwealth of Pennsylvania. These lines were excluded from the restructured rail system which resulted from the implementation of the Final System Plan of the United States Railway Association. Since the Commonwealth of Pennsylvania made its request, the Office has conducted a comprehensive study of each of the six lines. The findings which have resulted from that study are contained in this report.

Many individuals and organizations went to considerable trouble to develop relevant facts and estimates necessary for the completion of this work. We are grateful to them all and wish that we could mention every one by name. We do want to express special appreciation to E. L. Tennyson, David Barber, and Elaine King of the Pennsylvania Department of Transportation. The various Federal agencies and departments involved in the restructuring process also supplied useful information and technical assistance to the study. Finally, a word of appreciation is in order to the hundreds of Pennsylvania rail patrons and business leaders who gave generously of their time and whose patience and understanding during the field investigations by the RSPO Project Teams helped to make this report possible.

None of the individuals or organizations which assisted in the course of the study shares any of the responsibility for the findings here reported; however, it should be noted that a large amount of the material on which our findings are based was furnished to us by various individuals and organizations. We expect that there might be honest differences of opinion as to the correctness of our approach, our methodology, our data and our recommendations. In spite of these differences, we believe that our report will be useful to the Commonwealth of Pennsylvania and its rail patrons.

It should also be noted that this is a staff report of the Rail Services Planning Office. It has not been officially adopted by the Interstate Commerce Commission and does not necessarily represent the Commission's viewpoint.

ALAN M. FITZWATER,
Director,
Rail Services Planning Office.

INTRODUCTION

The issuance of the Final System Plan by the United States Railway Association in July, 1975, represented the final step in the planning process to restructure the bankrupt railroads of the Northeast-Midwest region into a profitable new system. Of all the issues raised during the restructuring process, none aroused more widespread public interest and debate than the issue of light-density lines. It is not surprising that this issue generated such controversy, since the economic future of many of the communities and businesses served by such lines was in jeopardy. Close to 500 light-density lines were classified in the Final System Plan as not recommended for inclusion in Conrail;[1] in other words, unless provision was made for the operation of these lines pursuant to a subsidy agreement, rail service over them was to cease April 1, 1976. Many of the excluded lines are presently being operated under subsidy; others are no longer in operation.

Throughout the planning period leading up to the adoption of the Final System Plan, there was consistent public opposition to the exclusion of light-density lines from the restructured system. The public response to both the Preliminary and Final System Plans was highly critical of the method by which USRA determined which light-density lines were to be included in the restructured system. The primary criticisms were: that the approach of USRA was too negative; that its methodology was too dependent upon hypothetical conditions and statistical application of incomplete data;[2] that it placed too much reliance on an inaccurate and/or inadequate data base; that it failed to conduct onsite examination of local rail service operations; and that it used profit as a measure of viability almost to the exclusion of other Congressional goals.[3]

In response to the widespread public criticism of USRA's methodology, Congress enacted a provision whereby any State in the Northeast-Midwest region could request the RSPO to evaluate the economic viability of any light-density line in that State excluded from the restructured system. That provision, section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, gives RSPO the following duty:

> Upon the request of a State in the region, within 90 days after the date of enactment of the Railroad Revitalization and Regulatory Reform Act of 1976, the Office shall prepare and publish an evaluation of the economic viability of any or all light-density lines within such State which are not designated for inclusion in the final system plan. Such an evaluation shall include an analysis of the actions which may be necessary to make the operation of rail service over any such line economical. The results of each such evaluation shall be transmitted to the requesting State and published in the FEDERAL REGISTER, not later than 1 year after the date such request is received by the Office.[4]

The States of Indiana, Maryland, New Jersey and Pennsylvania filed requests pursuant to this provision. This report summarizes the results of the evaluations which were performed on those lines included in the request of the Commonwealth of Pennsylvania (See Appendix A).

EXCLUDED LIGHT-DENSITY LINE STUDY PROCEDURE

Study process and data. After considering the various alternative approaches, the Office decided to conduct an analysis based on a survey of the excluded branch lines and affected communities. The case study approach, including extensive field research, was selected because the Office concluded that such a technique would provide a better understanding and appreciation of economic viability.[5] The approach also makes possible discovery of various available alternatives through

[1] The following abbreviations are used throughout this report: "Conrail" refers to the Consolidated Rail Corporation; "Final System Plan" or "FSP" refers to the Final System Plan of USRA; "ICC" or "the Commission" refers to the Interstate Commerce Commission; "Preliminary System Plan" or "PSP" refers to the Preliminary System Plan of USRA; "RRR Act" or "Act" refers to the Regional Rail Reoraganization Act of 1973, as amended; "RRRR Act" or "4R Act" refers to the Railroad Revitalization and Regulatory Reform Act of 1976; "RSPO" or "the Office" refers to the Rail Service Planning Office of the Interstate Commerce Commission; "SMSA" refers to Standard Metropolitan Statistical Area; and "USRA" or "the Association" refers to the United States Railway Association.

[2] It should be noted that factual evidence to support the validity of claims about light-density lines is not readily available and is often fragmented, contradictory and unreliable, making it difficult to validate any model or statistic.

[3] Rail Services Planning Office, *Evaluation of the U.S. Railway Association's Preliminary System Plan* (Washington: Interstate Commerce Commission, April 28, 1975), pp. 14–16.

[4] 90 Stat. 57 (1976).

[5] The advantages of performing the analysis of light-density lines through extensive field research include: (1) the data are of a higher degree of accuracy; (2) the analyst has the opportunity to insure that information is in balance and internally consistent, i.e., he is able to avoid imputing magnitudes and forcing or stretching the data by a variety of techniques normally necessary when using a "selected" sample. The use of quantitative methods, far from being incompatible with the case-study method, is occasionally essential to it. Nevertheless, it is true that many fundamental phases of a case study are nonquantitative—phases such as the analyses of the rail infrastructure, for example. In these the data must be assembled and analyzed, the relationships discovered and described, and the conclusions presented, in non-statistical form. No attempt has been made to cloak this study in quantitative model mysticism. A straight forward analytical approach has been used, based on the best data made available to RSPO.

on-site inspection of railroad properties and operations. Extensive and in-depth personal interviews, with those parties most affected by the problems resulting from exclusion of branch lines, allow for thorough examination of the concerns and objections that have been voiced on the light-density line issue.

The study of the RSPO was divided into three phases: data collection and literature search; extensive field research and analysis of data; and drafting of the final report, including development of recommendations.

The research was divided into the following five categories:

(1) An extensive literature search was undertaken, including a review of the USRA's light-density line analysis approach; numerous interviews were conducted with civic associations and business and Government officials to gather pertinent information.

(2) Business and Government entities were asked to offer their comments and views.

(3) Frequent staff meetings were held with State agencies and officials connected with the project.

(4) An excluded rail line questionnaire was developed and field tested for the collection of information concerning each line's characteristics: operational, physical, patron and traffic.

(5) On-site inspections and in-depth interviews were conducted by multi-discipline research teams; these teams consisted of a cost analyst, an economic/marketing analyst and a railroad operations analyst.

Limitations. Certain limitations must be recognized as inherent in the very nature of this type of an undertaking.[6] The scope of the project is defined by statute, and certain examinations by other governmental agencies have already preceded this study. Therefore, the purpose of the study is not to redefine problems or reestablish issues but to perform the mandatory evaluation and to produce recommendations as to what is necessary to make operation of rail services over the studied lines economical.

There are a number of reasons the development of information for the different lines was uneven, and, therefore, the individual studies of the lines themselves will vary considerably in depth and length. Moreover, it was not possible in generating line data to develop cause and effect relationships among such things as service declines, deferred maintenance, increased cost and rate levels, individual economic and distribution changes and traffic losses. In addition, it was extremely difficult to estimate future traffic levels because of prevailing conditions and the inability to conduct an individual industry analysis.[7] Consequently, estimates of both future traffic and cost levels for individual excluded lines were developed largely from both empirical evidence and extrapolations. Unfortunately, historical cost data on these particular lines are not an accurate measure of future avoidable costs.

An attempt to develop reasonably accurate estimates of the economic viability of immediate areas served by excluded lines was thwarted somewhat by the aggregation levels of statistical data. Thus, the bulk of the information dealing with the economic structure of the areas served by the individual lines is based upon county and regional data. While the data contains much that is relevant and useful, the reader is well advised to consider that the application of such macro-data to individual line segments could possibly produce inaccurate conclusions.

Even after the most comprehensive and exhaustive examination, some significant factors may still remain undiscovered. This means that somewhat less than absolute validity must be attached to the "facts" assembled in such a fluid atmosphere. The implication as to the need for caution in interpreting the assembled data is clear.

USRA Light-Density Line Analysis

Essential to a basic understanding of this report is a familiarity with the general approach adopted by the USRA in the selection of those light-density lines of the bankrupt railroads which were to be included in the restructured system. USRA stated its approach to branch line viability in the following manner in its Final System Plan:

First, lines were isolated which, by the volume of traffic originated or terminated, appeared to be submarginal (see PSP, p. 336). The initial screening process, due to the magnitude of the analytical task, was relatively broad. The definition of what constituted a "line" for study was also imprecise, often following historical definitions which later proved related neither to present economic nor operational boundaries.

Second, the latest data were collected on traffic volumes and revenue levels, future traffic possibilities, current condition of the tracks and facilities, cost of rehabilitation, service characteristics and identification of shippers on each line. Data and information from the hearings conducted by RSPO were identified by line segment, as was information about specific operating problems and shipper concerns which was gained informally during the last one and one-half years (see PSP, p. 336). During the review process a number of lines were subsegmented. Each subsection was further analyzed to determine if the subsection might be self-sustaining even if it appeared that the entire line would not be or if a portion of the line was cross subsidizing the remainder.

Third, each line was analyzed to determine whether revenues generated in 1973 by traffic originating on or destined to the line were sufficient to cover the variable costs directly attributable to that traffic in that year.[8]

Fourth, if a line did cover its variable costs, including adequate maintenance and required upgrading for that year, it was included in the restructured system.

Fifth, if the branch line failed this test, an analysis was conducted to determine if [it could cover its variable costs] either by a modest rate increase (10 percent or less) or with an expected immediate traffic increase. If this was found to be the case, the line was included in the restructured system.

Sixth, if the line did not cover such costs, even with reasonable rate increases and expected traffic growth, a review was conducted to determine whether the line had connections to other carriers. Where such potential exist[ed], the connecting carrier was provided the data and information necessary to assess the line's potental viability.

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[6] It was not possible, within the scope of the present study, to make a complete analysis of the total environment in which the light-density lines operate because there was not enough time; some of the data needed is unavailable; the cost of data collection greatly exceeded the benefit; and there were certain legal restraints. It was necessary, therefore, to limit the scope of the study and to leave other issues for later study and appraisal by the individual States. For example, the RSPO did not attempt to make any assessment of adverse community impacts nor to undertake a detailed study of those individual industries which are located on the excluded light-density lines. Further study would be needed, at a much greater degree of specificity than was possible in the current study, to estimate service and price elasticities of demand for rail transportation by commodity class or by changes in intermodal competitive attitudes. The present study is designed to develop relevant facts and make recommendations that ultimately must be transformed into actions by those most vitally concerned with their execution. This Report does not make recommendations as to whether an individual light-density line should or should not be subsidized. It does make a series of recommendations which provide the information necessary to make operation of rail service over the studied lines economical.

[7] The RSPO Staff concluded that no single econometric model could be utilized to accurately reproduce the unique conditions on the individual light-density lines requested for study. Not only would the development of such a model be extremely time consuming and expensive, even assuming the needed data were available, but many of the relationships would necessarily remain judgmental, impressionistic or arbitrary. Also, a series of "single" situations would not lend themselves to experimental procedures. Several approaches were examined, for example, establishment of control conditions which could be used to test the viability of one light-density line against another. Comparison of particular aspects of other light-density lines now in existence and profitable was examined, but because of the multiplicity of variant factors—size; geographic distribution; historical development; industry characteristics and mix; time variance; traffic and distribution flow patterns, etc.—this approach was found insufficient for use in this analysis. There appears to be no abstract standard of composition or structure of size or functional efficiency by which a light-density line's viability may be measured; moreover, comparative standards have not been developed with any degree of accuracy which would permit comparison to the unique situations presented by the studied lines.

[8] The USRA based its light-density line economic viability analysis on the carriers' 1973 traffic, revenue and unit costs and assumed efficient operations. The basic steps were as follows:

1. Establish total branch line-generated revenue.

2. Then subtract in the following order these cost items: a. on-branch operating costs; b. on-branch maintenance costs; c. on-branch return on net salvage value; d. on-branch overhead costs; e. off-branch operating costs; and f. up-grading costs.

See: United States Railway Association, Preliminary System Plan: Volume II (Washington: United States Railway Association, February 26, 1975), p. 337.

Seventh, if a line met none of the first five criteria, it was recommended as a candidate either for abandonment or subsidy * * *.[9]

Accordingly for a line to be included in the restructured system, it had to be one that:

[Was] capable of generating sufficient revenue to cover approximately 90 percent of the costs incurred on the light-density line itself as well as the variable costs of moving that branch-line-generated traffic over other lines to its destination and interchange with another rail carrier;

While not currently self-sustaining, (could) be made viable by reasonable rate adjustments (10 percent or less); or

While not currently self-sustaining, (would) be made so because of identifiable traffic growth in the near future.[10]

In making its individual determination of branch line self-sufficiency, the USRA stated that the key questions were:

What are the costs of continuing service? Will there be sufficient line-generated revenue to cover these costs? What is the near-term traffic growth potential of the lines? Are there recoverable fossil fuel deposits on the line?[11]

Of these key questions, the most important, from an economic viability viewpoint—future prospects for traffic growth—was by far the most difficult to ascertain. The 1973 traffic data used by the USRA in its light-density line analysis represented a single point in time under unique circumstances. Obviously, time changes the circumstances and hence the results. Future projections based upon past trends are only as accurate as the relationship of past trends are to the future circumstances. This relationship was almost impossible for the USRA to predict, especially in light of the structural changes expected to result from implementation of the FSP and the unpredictable reaction of industry and other modes of transportation to those changes. RSPO concluded that the only way to overcome this particular dilemma was to conduct on-site examinations and to consult with local rail patrons and other interested parties, including State agencies, officials, etc., and local governments and former rail patrons. We also concluded that our approach should emphasize local variations and individual situations. These conclusions formed the basis for the procedures adopted by RSPO in conduct of its investigation of excluded light-density rail lines.

Pennsylvania's Approach to the Analysis of Light-Density Lines

Following enactment of the Regional Rail Reorganization Act of 1973, Governor Milton J. Shapp designated the Pennsylvania Department of Transportation (Penn DOT) as the official state agency responsible for the development of a state rail plan. The urgency of developing a comprehensive state rail plan was pointed out by Penn DOT itself.

Since passage of the Regional Rail Reorganization Act of 1973 (RRRA), Pennsylvania Department of Transportation (Penn DOT) has engaged in railroad planning activity paralleling that of the United States Railway Association (USRA). Because all except one (Ann Arbor) of the bankrupt railroads subject to reorganization within the framework of the Act operate in or immediately adjacent to Pennsylvania, the decline to their present condition has been felt more in Pennsylvania than in other states. Almost all of the decreased railroad competition which would attend the creation of Conrail as proposed by United States Railway Association in the Preliminary System Plan (PSP) would occur at points in eastern Pennsylvania. All of the important flows of rail traffic between the Northeast and the rest of the country cross Pennsylvania, except those across Canada. For these reasons the plight of the bankrupt railroads is of special concern to Pennsylvania, as is the question of how they should be reorganized.[12]

The swift action of the Pennsylvania Department of Transportation, and various other Commonwealth Departments and officials, resulted in an extensive series of reports relating to the Commonwealth's state rail plans as lited below:

A United States Rail Trust Fund: Prescription For Modern Rail Transportation, September 20, 1974.

Pennsylvania's Response to U.S. Department of Transportation's Report on "Rail Service in the Midwest and Northeast Region" March 28, 1974.

Pennsylvania's Plan for a Balanced Eastern Rail System, February 13, 1975.

Interim Review of United States Railway Association Preliminary System Plan, April 7, 1975.

Review of United States Railway Association Preliminary System Plan, April 26, 1975.

Review of United States Railway Association Preliminary System Plan: Branch Line Evaluation, Appendix, Volume I, April 26, 1975.

Pennsylvania Statewide Rail Plan Phase I Submission to the Federal Railroad Administration, May 15, 1975.

Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration, December 9, 1975.

Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration: Supplement, March 1, 1976.

Update to Pennsylvania Statewide Rail Plan, August 3, 1976.

From the very first, a firm position was taken with respect to the restructuring of the Commonwealth's rail system. The tone is clearly evident in the March 28, 1974 Report:

This analysis and comment on the Secretary of Transportation's report, "Rail Service in the Midwest and Northeast Region" reflects a portion of the commitment of the Commonwealth of Pennsylvania to improved rail service. The message of this Pennsylvania Report about the Department of Transportation Report is that it is unacceptable.

(Moreover), the first general recommendation to USRA is "stay off the backs of the branch lines!"

Many knowledgeable people know that if the 1,450 miles of branch lines shown as "potentially excess" in Pennsylvania were abandoned tomorrow, there would be no impact on railroads' profitability. Branch lines are a red herring that simply divert attention from the serious problems railroads face in their yards and in maintenance of track and equipment from long years of neglect. The branch lines are equally affected by these conditions but are insignificant as causes of financial drain. Indeed, the Penn Central asserted to the ICC in 1973 that it would realize a "net annual benefit" of $20 million if allowed to abandon 5,000 miles of track. Penn Central lost $24 million in February of 1974 alone.[13]

In its April 26, 1975 Report, the Commonwealth stated its goals regarding the problem of light-density (branch) lines in the following manner:

Encouragement of economic development. The Commonwealth's concern for economic development has been one of its dominant policies for years. Efficient, low-cost transportation is important to the achievement of this goal.

Encouragement of desirable State land development patterns. The Commonwealth wants to provide a high degree of accessibility to all parts of the State so that a balanced land development pattern can emerge.

Access to coal fields. Maintenance of access to this vital energy resource is a prime goal.

Minimization of community impact. Loss of branch line service can impose severe burdens on local communities. This must be avoided.

Maintain transportation options. In the long run, it is extremely desirable to maintain the option of rail transportation—to allow for technical and management innovations that will increase usage of this energy-efficient system.

Reduce environmental impacts. The Commonwealth is strongly opposed to environmental degradation.

Energy conservation. This is a national as well as a State policy, which will probably be of increasing concern in future years.[14]

The Commonwealth further stated that:

The achievement of these goals is a dominating concern of Pennsylvania. The Commonwealth recognizes that it is essential to have viable railroad corporations operating throughout its territory. But this should not be at the sacrifice of goals that are important to the prosperity of the State, to the well-being of its population, to the expansion of its local economics, or to the conservation of essential resources.

To achieve the foregoing policy, the Commonwealth, through its Department of Transportation personnel and its consultants, engaged in extensive and very detailed studies of light density lines throughout the State. These studies have taken two forms:

a. Examination of the economics of branch lines from the viewpoint of the railroad (carrier).

b. Study of the economic, environmental, and energy impacts of branch line closings.

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[9] United States Railway Association, Final System Plan: Volume II (Washington: United States Railway Association, July 26, 1975), p. 5.

[10] Ibid.

[11] Preliminary System Plan: Volume I, op. cit., p. 108.

[12] Office of State Planning and Development, Review of United States Railway Association Preliminary System Plan (Harrisburg: Pennsylvania Department of Transportation, April 26, 1975), p. 1.

[13] Pennsylvania's Response to U.S. Department of Transportation's Report on "Rail Service In The Midwest and Northeast Region", op. cit., pp. 1–2.

[14] Review of United States Railway Association Preliminary System Plan, op. cit., pp. 87–88.

These studies were in substantial detail, and included line-by-line analyses that were based upon field surveys [during November-December, 1974 and January, 1975] of all plants along each branch line. Thus the data base is much more complete than was available to the USRA.[15]

Drawing upon the goals prescribed by the Regional Rail Reorganization Act of 1973, and prior Commonwealth goal statements, a series of goals for guiding the formulation of the policies and programs of the Commonwealth with respect to rail transportation was prepared by the Subcommittee on Goals of the Penn DOT Statewide Rail Advisory Committee. The statement of goals incorporated within the Commonwealth's May 15, 1975 Report was as follows:

(1) Promote the use of rail service to meet those transportation needs for which it is most appropriate, considering the capabilities of all modes relative to the requirements of shippers and travelers.

(2) Create a financially viable system, considering revenues from users as well as possible governmental aid, and both short term as well as long term (e.g., capital stock replacement) costs.

(3) Maintain a railroad system which is flexible and responsive to changing shipper and traveler requirements, and to new development opportunities, through competition, regulation, preservation of existing rights of way, and other means as appropriate.

(4) Maximize the positive effects and minimize the negative effects of changes in the rail system on communities, industry and labor.

(5) Insure that the system will be operated and maintained in a manner that is efficient, safe, and reliable, meeting any applicable standards, such as for safety and environmental impacts.

(6) Rely upon private enterprise to the extent possible. Any actions should accord equitable treatment to carrier creditors and owners.

(7) Create a system which is operationally compatible with the other portions of the North American railroad network.

(8) Encourage the adoption of fair and equitable systems of carrier taxation.[16]

The Commonwealth further commented on these goals:

The goals are necessarily to some extent in conflict with one another, in the sense that any particular plan of action which furthers the achievement of one goal may diminish the achievement of another. For example, the abandonment of a branch line may increase the financial viability of the railroad, decrease rail employment but increase employment in other modes, and threaten communities along the branch line with loss or contraction of industries dependent upon the rail service. To continue the rail service may reduce the viability of the rail carrier, or perhaps require a subsidy, but will preserve rail employment and the competitive position of industries in the communities. To rationally choose among alternatives with such consequences, it is necessary to predict what those consequences will be, so that an alternative which is balanced in its achievement of the various goals can be selected. Thus, these goals impose a very strong requirement on the information about the consequences of alternatives which is to be developed in the planning process. Also, they require that alternatives be sought which tend to achieve all the goals. In the example discussed above, an obvious alternative, in addition to that of simply retaining or abandoning rail service, is that of integrated rail-truck service, which might permit reduction of the total cost of transport service while in effect retaining rail service to the communities. Such alternatives can raise difficult questions of institutional and regulatory constraints, and problems of transition. But they must be explored if the best plan of action is to be identified.[17]

Having formulated its goals, the Commonwealth then proceeded to establish policies for determining the procedures the Commonwealth would employ in giving assistance to branch lines. These policies were stated in Phase I of the Pennsylvania rail plan as follows:

(1) Any line that is profitable to its carrier by using a methodology that accurately calculates avoidable costs, according to the Rail Reorganization Act, should be included in Conrail.

(2) A branch line that shows overall profitability to the rail industry, even though segments of it may be unprofitable, should be retained by a restructured or solvent railroad without government assistance.

(3) Where freight rates have been adequate to cover operating cost and normal maintenance, but where maintenance has been deferred, the restructured or solvent carrier should bear the responsibility for rehabilitation. If they don't, the line would be acquired and rehabilitated using a combination of 70% Federal, 20% State, and 10% local shares with local contributions consisting of local public funds, shipper contributions or a combination thereof. The level of track rehabilitation shall be determined through negotiation with shippers and local government and as cost effective analysis. Where required, negotiated surcharges, and modified levels of service, work rules and increased traffic should cover operating deficits insofar as possible. The surcharges should be imposed to the level where truck transportation costs or relocation become as attractive as continued rail service or the point where industrial operation ceases to be price competitive. Various State programs, including the Pennsylvania Industrial Development Authority, shall be used insofar as possible to generate greater usage of the rail line and thus preclude the continued need for other strategies.

(4) To the extent of a local government's willingness to participate in a purchase of service program, insofar as required above and beyond acquisition modernization and negotiated surcharges and operating changes to cover avoidable costs and rental payments, the Commonwealth will provide an equal matching share of the program. However, the Commonwealth will only participate where the resulting community impacts from loss of rail service will provide greater losses than the cost necessary to continue the service.

(5) There shall be no Federal and State financial participation either in acquisition and modernization or in purchase of service for lines excluded from Conrail and unprofitable even with rehabilitation and where economic loss is less than the needed assistance. However, the State shall lend its expertise in negotiating surcharges and service standard changes and to arrive at a satisfactory preservation of rail service where local and shipper contributions are available and sufficient to preserve service. Where rail service abandonment results, the State shall provide technical assistance for relocation, conversion to truck transportation, and would acquire the line for other transportation purposes where warranted.

(6) The Commonwealth will initially allocate available Federal and State rail assistance funds among regions on the basis of total needs to preserve service on all worthy lines and economic conditions in the region. Actual allocation among individual lines in each region will be determined on the basis of regional priorities, essentiality of service preservation, and detailed negotiations as to service changes, surcharges, and local public contribution.

(7) The Commonwealth will continue to subsidize up to two-thirds of the losses of rail passenger commuter lines not covered by Federal assistance from the funds under Section 402 of the Reorganization Act and applied uniformly to preserve passenger as well as essential freight service.

(8) With passage of enabling legislation, the Commonwealth will provide matching funds under Section 403(b) of the Rail Passenger Service Act of 1970 to support intercity passenger rail service in corridors consistent with the State Rail Plan.[18]

In its December 9, 1975 Report, the Commonwealth identified its long-term strategy with respect to the rail restructuring in the following way:

The provision of safe, adequate, and dependable rail transportation is vital for the continued growth of Pennsylvania's economy. The Commonwealth through its Department of Transportation and Public Utility Commission will proceed in its efforts to preserve, promote, and improve the rail network in order to meet the needs of Pennsylvania's residents and industry.

Pennsylvania will seek to preserve rail service beyond the two year subsidy period for branch lines for which local and State interest dictates the long term retention of service. There are three ways in which this may be done. The preferred solution in most cases is for Conrail or another carrier to assume ownership and operation of the property. In general, this is unrealistic unless Congress requires USRA/Conrail to alter their branch line viability methodology to correctly measure avoidable costs. Unless the means of measuring off-branch costs is corrected, it is unlikely that any line will generate an increase in traffic sufficient to satisfy the USRA methodology. In addition, even if a line generated enough traffic during the two year subsidy period to be considered viable, there is no assurance that Conrail would purchase the line.

The second alternative would be for State and local interests to purchase and rehabilitate the lines under the Title IV provisions of the Act. The State would attempt to have service provided on a contractual basis with Conrail or any other carrier whose trackage is contiguous to the branch.

We conceive of the service being financed by the shippers on a prepaid basis whereby the shippers guarantee a certain level of profitability to the railroad in return for a certain level of service. Incentives are to be included for improved service and increased traffic density such that Conrail assumes normal, noncontractual service.

The third, the generally least preferred option is to operate the branch as a short-line railroad. Successful short-line operation requires a reasonable division of revenues, capital outlays for equipment, technical knowledge, and the enthusiasm and industriousness of local shippers and government. While none of these requirements are insurmountable most communities see this option as a fallback position.

[15] Ibid.

[16] Pennsylvania Statewide Rail Plan Phase I Submission to the Federal Railroad Administration, op. cit., pp. II-5/II-6.

[17] Ibid., pp. II-4/II-5.

[18] Ibid., pp. III-1/III-2.

It should be noted that if Congress increases the length of the subsidy period, then the subsidy option may become "long-term" in nature. An expanded subsidy period might make the subsidy option more attractive vis-a-vis the purchase and modernization option. Certainly the shippers on a line expecting a significant increase in traffic may choose to subsidize in hope that profitability may be achieved in the longer run. A longer subsidy period also makes a planned phase 'out of rail service more realistic.

Phase II of the State Railroad Plan is based upon the Regional Rail Reorganization Act as currently written. Any amendments may necessitate revisions to the Phase II document, and the Commonwealth reserves the right to revise the Plan accordingly.[19]

The Commonwealth further commented in its December 9, 1975 Report on the conditions and requirements of services to be acquired:

Options selected by the interested parties on branch lines depend on the satisfactory solution of existing problems relating to deficiency judgments, purchase price, insurance and service guarantees. The acquisition estimates were based on net salvage value on the assumption that the bankrupt estates will sell at or near the net salvage value.

Regardless of the option chosen, the Commonwealth will oversee the purchase, rehabilitation and/or subsidization of the lines for which service is necessary. Penn DOT personnel will negotiate the purchase and contracted service on behalf of local shipper interests. Similarly, Penn DOT will devise mechanisms for monitoring the service provided under the contractual agreements.

FRA Class I standard is the minimum upon which service can be provided safely. The Commonwealth will contract for the rehabilitation of any subsidized or purchased line that fails to meet Class I standards. An open competitive bid process will be followed for contracting rehabilitation work unless the railroad servicing the track can be induced to perform the work. USRA estimates of rehabilitation costs wil be utilized in the Commonwealth's analysis until such time as the specifications for the work can be calculated. Lines utilized for overhead or passenger service may be upgraded above Class I standards.

Rolling stock requirements lay within the domain of the railroad that provides the subsidized service unless a short-line railroad is formed. If short-lines are formed the rolling stock and equipment necessary for operation will be supplied in compliance with I.C.C. regulations.[20]

The Commonwealth's View of the Subsidy Program

From the beginning of the rail reorganization process, the Commonwealth expressed serious doubts about the usefulness of the subsidy program. Their fundamental position was that for a number of reasons the subsidy program would lead to eventual discontinuance of rail service on lines being subsidized.[21] But, nonetheless, Pennsylvania would utilize the subsidy program in order to maintain service on selected lines.

Pennsylvania's lack of enthusiasm for the subsidy program was premised upon five points:

First is the fact that there is neither a mechanism nor an incentive for rehabilitation and subsidizing a line under the Act. While loans can be made for acquisition and rehabilitation of lines left out of the Final System Plan, these lines cannot then be subsidized.

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Although the Federal legislation authorizes appropriations for only two years, various Federal officials believe that, once established, it will be a continuing program. To a businessman, however, an industrial location on a subsidized line excluded from the Final System Plan is bound to be less attractive than a site on one included in the Plan. Subsidized lines will have a harder time attracting new industry, and in the long run will probably lose the rail-dependent industry they presently have. For certain, no new industrial parks will develop along a line threatened with abandonment. Clearly, then, no matter what the intent of the Congress or the Association, the subsidy provision as now constituted may be little more than a de facto phase-out of rail service.

Third, work to date on developing a formula for calculating avoidable costs and revenue attributable to a branch line has been complicated by the fact that railroads must provide the necessary documentation. This makes it impossible to calculate the amount of subsidy that might be required. Even so, officials at the ICC's Rail Services Planning Office (RSCO) believe that required subsidies will be much less than the deficit computed on USRA's line analysis.

Fourth, a subsidy by its very nature offers no incentive for cost control. Rather, it will lead to a cost-plus operation of branch line. (The RSPO formula does provide for a negotiation between railroads and shippers initially so that questions such as minimum traffic guarantees or changes in service which might lower or eliminate the need for subsidy altogether can be discussed.)

Finally, the subsidy formula is bound to yield different results than the USRA viability formula, and this can lead to the following absurdity: a line analyzed by the USRA will prove non-viable and thus will be excluded from the Final System Plan; however, subsidy calculations will indicate no deficit of avoidable costs over revenues, making the subsidy payment the minimum—$1.00. In other words, the Association will find the line not profitable and exclude it from the Plan, but Conrail will be forced to operate it anyway without subsidy because the subsidy formula shows it has no deficit. While both the Association and the Rail Services Planning Office recognize—and expect—this eventuality, USRA has shown no willingness to work out a single formula and thereby resolve this issue. For USRA to exclude from the Final System Plan branches that do not require a subsidy is preposterous.[22]

Lines to be subsidized. The Pennsylvania Department of Transportation, the designated State agency for railroad planning, completed the first attempt to prepare a plan to assure the continuation of essential local rail service with the issuance on March 28, 1974 of its Report, Pennsylvania's Response to U.S. Department of Transportation Report on "Rail Service In The Midwest and Northeast Region." The Report, which was co-authored by the Office of State Planning and Development and contained a potpourri of information and statements, examined all the endangered Pennsylvania branch lines for which data was available. After identifying the individual endangered line, the Report then simply provided a series of general comments varying in depth and length relating to the line. The Report made some individual line segment recommendations.

With regard to the six lines which are the subject of this Report, the Pennsylvania Department of Transportation in its March 28, 1974 Report made the following initial comments.[23]

(1) *USRA Line No. 145: Northern Central Branch.* The Penn Central line extending from York south through New Freedom and the Stewartstown Railroad line extending from New Freedom east to Stewartstown will be discussed together as the Stewartstown Railroad cannot function without the Penn Central line. Following the occurrence of Hurricane Agnes in June 1972, the Penn Central stopped operations over the section of track from York through New Freedom. This de factor abandonment has incapacitated the Stewartstown Railroad totally from continuing to function. The six mile track of the Stewartstown Railroad alone received 212 cars at the New Fredom Interchange between January and June 22, 1972.[24] The shippers listed . . . represent those located along the Penn Central and Stewartstown Railroad lines currently marked "potentially excess." Presently, a few of these businesses are shipping by utilitizing piggyback service, [and] the remaining firms have expressed great inteerst in restored rail service. The firms surveyed estimated 800 carloads would be shipped and received annually if service was available. Five lumber companies are located along these lines. They have indicated that piggyback service is not a viable alternative for the shipment of lumber. For example, two piggyback trailers loaded with 80,000 lbs. of lumber would cost $5,400 to ship from the West Coast to New Freedom as compared to $1,650 if shipped by direct rail service. The additional cost incurred is clearly prohibitive.

Additionally, rail business along these lines should continue to expand. Two plants have recently delayed plans to expand because of the uncertainty of the rail situation. An industrial park of 145 acres is located adjacent to the Stewartstown Railroad waiting to be developed. A York County resident stresses that "the Penn Central line from York through New Freedom is not a branch line per se, but a connecting link

[19] Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration, op. cit., p. 403.

[20] Ibid., p. 404.

[21] Milton J. Shapp, Pennsylvania's Plan For A Balanced Eastern Rail System, (Harrisburg: Pennsylvania Department of Transportation, 1975), p. 50.

[22] Ibid., pp. 50 and 53.

[23] In addition to the line-by-line analysis by the Office of State Planning and Development, there were also a number of statements incorporated within the March 28, 1974 Report, by various Commonwealth Departments and officials, which at times, made reference to the six lines studied by the RSPO. Due to the fact that this is an executive summary by the RSPO, these additional statements and positions will be covered in-depth within the individual line reports, to be issued at a later date. It should be noted, however, that some of these statements are occasionally at odds with the information supplied by the Pennsylvania Department of Transportation.

[24] The March 28, 1974 Report stated that, "If rail service is continued there is projected traffic of 500 carloads on the Stewartstown Railroad." The Report also recommended that USRA Line No. 145 be electrified and designated an intercity passenger line.

between Washington and the Harrisburg interchange. Each day that discontinuance of railroad service persists is causing severe and mounting economic injury to the shippers, businesses, and communities in southern York County and northern Maryland."

(2) *USRA Line No. 252: Emporium Secondary Track.*[25] The Penn Central line from Ludlow southeast to Rolfe has six businesses which ship and receive 2,515 carloads of freight per year. In addition to the direct rail service provided to these establishments, this track section is also an important link in the main line extending from Erie southeast to Philadelphia.[26] Abandonment of the rail line from Ludlow to Rolfe would produce effects adverse to firms located along the line and would also disrupt rail service to places to the northwest, such as Warren, Pennsylvania.

One example is an oil refinery in Warren which has annual carloadings exceeding 2,800. If through rail service is terminated, the firm will be forced to discontinue supplying petroleum products to customers in many areas now served from its rail terminals at a time of growing energy shortage.

A long established papermill in Erie is dependent upon improved rail service over the same Penn Central line to ship 128 carloadings of pulp monthly from Erie to Lock Haven, and 224 carloadings monthly of pulpwood and woodchips from Lock Haven, Clearfield, Karthaus, Driftwood, Reynoldsville, and Port Allegany to Erie. Due to the unsatisfactory condition of portions of the roadbed between Erie and Emporium, which includes the Ludlow-Rolfe section, the unit train is forced to travel the circuitous route from Erie to Lock Haven through Buffalo. This entails 120 additional miles for each round trip and approximately 8 hours additional turn around time.

As for the Borough of Kane itself, the effect of the abandonment of rail service would be an immediate capital loss to the present rail shippers of $815,000, with an estimated capital loss within five years of from three to five million dollars. At least 263 persons would become immediately unemployed. This figure represents 15 percent of the total labor force in the Borough of Kane. The immediate loss in annual wages earned by those who would become unemployed exceeds $2,450,000.

(3) *USRA Line No. 907/939: Wilmington and Northern Branch.* This section of track, from Elverson south past Chaddsford (including the St. Peters spur) is part of the Reading's Wilmington and Northern line which forms a link in the best competitive route, mileagewise, between Washington and Buffalo. There is a through use of this line, such as delivery of automobiles to the Wilmington market from Detroit via Buffalo, and U.S. DOT agrees that competition is essential between these two points. Leaving the Penn Central as the only carrier serving the Coatesville area means longer routing through Philadelphia where serious problems develop such as a single track interchange in a tunnel and heavy passenger service use as well as more mileage and yard delays.

A great deal of the rail activity in the Coatesville area revolves around the Lukens Steel Co. whose employment is over 5,000. Eighty Reading Railroad crews are used seven days per week to service Lukens and seven other companies who either provide scrap to Lukens or are their customers. Besides providing the considerable inbound and outbound functions, the Reading also performs the intra and inter plant switching for Lukens and its affiliated neighbors and last year handled over 40,000 cars. This traffic alone is enough to satisfy any criteria for the entire 42 mile line. Although an east-west Penn Central line runs within close proximity to the Lukens plant, it sits on a viaduct 75 feet above the ground and the nearest PC loading dock is several miles away. Abandonment of this line would cut off Lukens from the Chessie System and eliminate the present direct routes to Southern markets via Wilmington.

Luria Brothers, who feed recycled steel to Lukens, have two plants. One is in Modena, the other in South Coatesville and employment is over 200. Neither of these could continue to operate without rail service. At the Modena plant the principal work is the dismantling of obsolete railroad cars and locomotives. Approximately 1,800 units moving into the plant on their own wheels are processed each year. Seven hundred additional cars of scrap are received each year for preparation work before being shipped to Lukens Steel. At Luria's South Coatesville plant about 800 carloads of unprepared steel scrap are received yearly and sorted, cleaned and cut to be suitable for resmelting. Service for all of Luria's operations is provided by the Penn Central's east-west mainline and the Reading's Wilmington and Northern line. Of the two, the Reading line is considered more important, since it provides a Southern link with the Chessie System over which a large portion of the cars for dismantling and recycling originate. The northern section of the line through Elverson links Luria to large amounts of demolition scrap from the Pennsylvania coal regions.

While continuance of the Reading's W&M line is vital to Lukens, Luria Brothers and other feeder companies, it is critical to the survival of the Lenape Forge Division of Gulf-Western. This firm would lose its only rail service if the W&M line were abandoned. Nearly all of the company's products are directly or indirectly related to the energy market; oil producing equipment, steam and power generating equipment, turbine wheels and shafts as well as design nozzles and forgings for nuclear reactor units, a field in which Lenape Forge is the proprietary supplier. Lenape is currently expanding their plant with expected completion in mid 1974, at which time their railroad car needs will be over 300 a year.

Other firms using the W&M line are C.O. Carlson manufacturers of nickel and titanium plates whose size and weight eliminate any mode of shipping other than rail. Fabricated Metals of Modena depends 100 percent on rail service and presently have 100 CCKX-62 foot flat cars in service throughout the United States. These cars are periodically returned to Modena to be serviced and modified, transforming them into container cars.

(4) *USRA Line No. 912: Gettysburg and Harrisburg Branch.*[27] The Reading line from Carlisle Junction south to Adams County and from Peach Glen in Adams County South to, but not including, Biglerville has ten businesses which ship and receive 187 carloads monthly. If rail service is discontinued, six businesses would be forced to shut down. Three firms indicated they would have to curtail production and lay off employees, as increased freight rates would be too high to enable them to remain competitive in their respective markets.

One firm located along this Reading line has recently completed construction of a large addition to their warehouse area with additional side trackage and rail loading docks. If rail service were discontinued, they would be forced to truck their raw materials from Gettysburg. They indicate that "to load or unload rail cars at this distance would be physically impossible and simply not feasible in any respect."

Another firm has recently finished construction of a 1.3 million dollar warehouse with plans presently being formulated for a new rail siding.

A pottery manufacturer has just begun operations along this line. Presently, they are completing negotiations for another plant in the same area. Together the two locations will ship and receive 240 carloads annually, and employ 200 people. As they are dependent on rail for the delivery of raw materials, the availability of rail was of prime importance in the selection of their present and proposed plants.

In addition, this line functions as a high-wide detour route for Western Maryland Railway's Jacks Mountain tunnel.

(5) *USRA Line No. 935: Stony Creek Branch.* This twenty mile line is used for both freight and passenger operation. Six hundred passengers daily ride commuter trains between Lansdale and Doylestown, and the Southeastern Pennsylvania Transportation Authority is seriously considering reactivating electrified passenger service between Norristown and Lansdale.[28] Freight needs have been growing in recent years and at least two firms have expansion projects under way, one in the growing electronics industry, which ship TOFC. This will further increase rail demand. One major pharmaceutical company, Merck, located along this line, receives chemicals by tank cars and one of its raw materials, glucose, is presently accessible to the East Coast only by rail.

(6) *USRA Line No. 1009: Nesquehoning Valley Branch.*[29] This line is the western most extremity of the Nesquehoning Branch of the Lehigh Valley Railroad, which was abandoned by the Central Railroad of New Jersey in 1972, and taken over by the Lehigh Valley. At that time the interchange at Haucks with the Reading Catawissa Branch was also abandoned. In the last two years this section of track, especially the 3.5 miles from Haucks to Hometown has been extensively developed for industry. Now there are two large volume, highly technical companies using 540 carloads a year and increasing, and a 224 acre industrial park north of Hometown with 4,117 feet of frontage along the Nesquehoning Branch. Over $1.2 million have been spent on the infrastructure of this park, and all the companies being solicited are heavy rail users.

The present volume alone is enough to justify this segment of track. The entire Nesquehoning Branch must be examined, though, because it is one entity; and the only outlet for Haucks and Hometown is at Jim Thorpe. A large rail user is now locating at the Hauto Industrial Park near Nesquehoning, with an expected 65 carloads monthly, or 780 annually by 1975. In 1975,

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[25] That portion of the Warren-Kane line between Ludlow and Warren (Zone 75) was not analyzed in the February 1, 1974 Report issued by the U.S. Department of Transportation "* * * due to the complex nature of the zone."

[26] The March 28, 1974 Report recommended that USRA Line No. 252 be designated an intercity "rural" passenger line.

[27] Only that portion of the Carlisle Junction-Gettysburg line between Biglerville and Carlisle Junction (Zones 81 and 83) was declared a "potentially excess rail line" in the February 1, 1974, U.S. DOT Report.

[28] The March 28, 1974 Report recommended that the small portion of USRA Line No. 935 between Norristown and Hartranft be electrified and designated an intercity passenger line.

[29] USRA Line No. 1009 was not shown to be a "potentially excess rail line" (Zones 70 and 82) in the February 1, 1974 Report issued by the U.S. Department of Transportation.

Pennsylvania Power and Light will be dismantling its electric generating plant and will be generating 600 additional carloads of scrap. The Kovatch Truck Center also generates 19 carloads a year. In 1975, there would be 149 cars per mile, and after that at least 113. The entire Nesquehoning line is clearly financially viable.

In its two April 26, 1975 Reports, the Commonwealth again made an individual line-by-line analysis of endangered lines in Pennsylvania, including the six lines studied by the RSPO. In comparison to its March 28, 1974 Report, the Commonwealth's revised line-by-line analysis was much more comprehensive; data was broken down and categorized in the following ways:

General background.
Traffic and operating information.
Line evaluation by USRA and PennDOT methods.
Shippers and receivers along branch line (active branch lines only).
Economic impact.
Environmental impact; energy consumption (active branch lines only).
Summary.[30]

The extensiveness of the Commonwealth Report precludes reporting here all of the data and information provided by the Penn DOT. Therefore, only the summary section for each line studied by the RSPO is shown below:

(1) USRA LINE NO. 145: NORTHERN CENTRAL BRANCH

E. *Summary*.—1. *Financial self-sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic off branch. USRA did not, however, compute the viability of this line since it was out-of-service in 1973.

The viability of this line has been computed for both 1973 and 1975 using the Penn DOT method. Such computations indicate that the line, if operated today, would show a small net contribution to the owning railroad and a large net contribution to the U.S. rail system as a whole.

2. *Increase in economic activity*. Reinstitution of rail service would result in a large gain in economic activity of approximately $1.5 million, including an increase of 100 jobs in the local labor market. This gain would be in addition to the net contribution to the owning railroad and the U.S. rail system.

(2) USRA LINE NO. 252: EMPORIUM SECONDARY TRACK

F. *Summary*—1. *Financial Self-Sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic off-branch. USRA computations indicate that this branch line incurred a large net loss in 1973.

The USRA viability formula considers only revenues and cost of the owning railroad. Had the analysis been based on the premise of profitability to the U.S. rail system as a whole, the branch line would show a moderately large net loss.

The viability of this branch line has also been computed using the Penn DOT method, which adjusts the USRA computations to eliminate unavoidable cost items and, in several places, uses more realistic unit costs. Using Penn DOT traffic, the line would show a moderate net loss to the owning railroad and a moderate net loss to the rail system as a whole.

2. *Economic impact on adjacent areas*. Termination of rail service would result in a large locally-incurred economic loss of approximately $2.9 million, including a reduction in employment of 350 jobs. Considering the size of the local labor force and the prevailing unemployment rate within the associated labor market areas, these losses would have a very large impact upon the local economy.

The ratio of community to railroad economic loss would be on the order of 14 to one.

3. *Environmental impact; energy consumption*. Termination of rail service would not result in any significant increase in truck traffic on local highways or associated environmental impact (air quality, noise, vehicular safety).

It is projected that ton-miles generated by plants presently located along the branch line would decrease from 20.6 to .8 million. This would result in a large decrease in the overall amount of energy consumed. The energy savings resulting from plant closings or relocations would more than offset the reduction in the efficient use of energy caused by the switch from rail to truck.

(3) USRA LINE NO. 907/939: WILMINGTON AND NORTHERN BRANCH

F. *Summary*—1. *Financial Self-Sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic off-branch. USRA computations indicate that this branch line incurred a moderately large net loss in 1973. Using the correct traffic (Penn DOT), the line would instead have incurred a very large net contribution to the owning railroad and to the U.S. rail system as a whole.

The viability of this branch line has also been computed using the Penn DOT method, which adjusts the USRA computations to eliminate unavoidable cost items and, in several places, uses more realistic unit costs. Using Penn DOT traffic, the line again would show a very large net contribution to the owning railroad and to the U.S. rail system as a whole.

2. *Economic impact on adjacent areas*. Termination of rail service would result in an extremely large locally-incurred economy of approximately $12.5 million, including a reduction in employment of 1,115 jobs. Considering the size of the local labor force and the prevailing unemployment rate within the associated labor market areas, these losses would have an extremely large impact upon the local economy.

The above estimate is highly sensitive to the ultimate relocation or closure decision of one firm. In this case, the individual impact accounts for 60 percent of these losses. Independent transport cost estimates support the impact assessment indicated by the affected shipper.

3. *Environmental impact; energy consumption*. Termination of rail service would result in a small but noticeable increase in truck volumes on two highways in the vicinity of Coatesville. Associated with this would be increased yearly highway maintenance costs. The increase would have a negligible impact on air quality, noise and vehicular safety, however.

Ton-miles generated by plants presently located along the branch line are projected to decrease from 309 to 262 million. This would result in a small decrease in the overall amount of energy consumed locally. The efficiency of energy use remains about the same, however.

(4) USRA LINE NO. 912: GETTYSBURG AND HARRISBURG BRANCH

F. *Summary*—1. *Financial Self-Sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic off-branch. USRA computations indicate that this branch line incurred a large net loss in 1973. Had the more correct Penn DOT traffic figures been used instead, the net loss would have been reduced slightly.

Considering normal 1973 traffic possible additional carloads had the service been better in 1973, and the near-term traffic growth potential (1974–1980), comparison was made to determine whether the line might be viable under USRA methodology. The additional carloads, while improving the situation, are still not likely to ensure self-sufficiency.

The USRA viability formula considers only revenues and cost of the owning railroad. Had the analysis been based on the premise of profitability to the U.S. rail system as a whole, the branch line would show a very large net contribution.

The viability of this branch line has also been computed using the Penn DOT method, which adjusts the USRA computations to eliminate unavoidable cost items and, in several places, uses more realistic unit costs. Using Penn DOT traffic, the line would show a moderately small net loss to the owning railroad and a very large net contribution to the rail system as a whole.

2. *Economic impact on adjacent areas*. Termination of rail service would result in a very large locally-incurred economic loss of approximately $6.3 million, including a reduction in employment of 700 jobs. Considering the size of the local labor force and the prevailing unemployment rate within the associated labor market areas, these losses would have a very large impact upon the local economy.

The above estimate is highly sensitive to the ultimate relocation or closure decision of two firms. In this case, the individual impact accounts for 50 percent of these losses. Should this viewpoint change or should altered non-railroad factors enter into the plant viability decision, the above economic impact would have to be reassessed.

The ratio of community to railroad economic loss would be on the order of 30 to one.

3. *Environmental impact; energy consumption*. Termination of rail service would result in a slight increase in truck volumes on route PA 234 and a significant increase in volumes on LR A5260 which will cause a yearly paving cost increase of $1,500 for this route. These increases would have a negligible impact on air quality, noise and vehicular safety.

It is projected that ton-miles generated by plants presently located along the branch line would decrease from 118.0 to 107.1 million. There would be a large increase in the over-all amount of energy consumed because the energy savings resulting from plant closings or relocations would not offset the reduction in the efficient use of energy caused by the switch from rail to truck.

4. *Other considerations*. USRA made no reference in the Preliminary System Plan to

[30] This section was, in turn, subdivided by Penn DOT into three additional categories: Financial Self-Sufficiency; Economic Impact on Adjacent Areas; and Environmental Impact, Energy Consumption.

the fact that this route handles "high and wide" traffic. The Allis Chalmers plant at York ships hydraulic turbine parts over this line to the Northeast. Additionally, while not all "high and wide" traffic, 188,512 carloads of overhead traffic moved over this line in 1973. This represents 516 carloads per day.

(5) USRA LINE NO. 935: STONY CREEK BRANCH

F. *Summary*—1. *Financial Self-Sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic off-branch. USRA computations indicate that this branch line incurred a moderately small net loss in 1973.

Considering normal 1973 traffic, possible additional carloads had the service been better in 1973, and the near-term traffic growth potential (1974–1980), a comparison was made to determine whether the line might be viable under USRA methodology. The additional carloads should be enough to ensure self-sufficiency.

The USRA viability formula considers only revenues and costs of the owning railroad. Had the analysis been based on the premise of profitability to the U.S. rail system as a whole, the branch line would show a very large net contribution.

The viability of this branch line has also been computed using the Penn DOT method, which adjusts the USRA computations to eliminate unavoidable cost items and, in several places, uses more realistic unit costs. Using Penn DOT traffic, the line would show a small net contribution to the owning railroad and a very large net contribution to the rail system as a whole.

2. *Economic impact on adjacent areas.* Termination of rail service would apparently not result in any significant locally-incurred economic loss to firms currently using rail service. Penn DOT shippers survey responses indicate that the two affected firms could utilize alternate transport modes without significantly affecting plant viability.

However, the line has a far greater economic potential. The reopening of the Philco-Ford plant (traffic estimated at 600 carloads per year), the completion of the 5.2 area industrial park presently being developed, plus the interest by several other firms in locating along the line, were service to be continued, all argue for its retention from the standpoint of its "positive" regional economic growth and development potential.

The line also handles some bridge traffic. It also serves as a bypass of the Philadelphia area to avoid conflicts with commuter rail service operated for SEPTA.

3. *Environmental impact; energy consumption.* Termination of rail service would not result in any significant increase in truck traffic on local highways or associated environmental impact (air quality, noise, vehicular safety).

Ton-miles generated by plants presently located along the branch line are projected to decrease from 4.4 to 4.3 million. This would result in a slight increase in the overall amount of energy consumed locally.

4. *Other considerations.* SEPTA has expressed an interest in instituting passenger service on this line.

(6) USRA LINE NO. 1009: NESQUEHONING VALLEY BRANCH

F. *Summary.*—1. *Financial Self-Sufficiency* (Railroad Economics). Criteria adopted by USRA for branch line inclusion in Conrail requires that the line be capable of generating sufficient revenue to cover costs incurred on the line itself and in serving branch line generated traffic offbranch. USRA computations indicate that this branch line incurred a moderately small net loss in 1973. Had the more correct Penn DOT traffic figures been used instead, the net loss would have been reduced slightly.

Considering normal 1973 traffic possible additional carloads had the service been better in 1973, and the near-term traffic growth potential (1974–1980), comparison was made to determine whether the line might be viable under USRA methodolgy. The additional carloads would be likely to result in marginal self-sufficiency for the line.

The USRA viability formula considers only revenues and cost of the owning railroad. Had the analysis been based on the premise of profitability to the U.S. rail system as a whole, the branch line would show a moderate net contribution.

The viability of this branch line has also been computed using the Penn DOT method, which adjusts the USRA computations to eliminate unavoidable cost items and, in several places, uses more realistic unit costs. Using Penn DOT traffic, the line would show a small net loss to the owning railroad and a moderately large net contribution to the rail system as a whole.

2. *Economic impact on adjacent areas.* Termination of rail service would result in a large locally-incurred economic loss of approximately $1.4 million, including a reduction in employment of 104 jobs. Considering the size of the local labor force and the prevailing unemployment rate within the associated labor market areas, these losses would have a large impact upon the local economy.

The above estimate is highly sensitive to the ultimate relocation or closure of one firm. In this case, the individual impact accounts for 100% of these losses. Should this viewpoint change or should altered non-railroad factors enter into the plant viability decision, the above economic impact would have to be reassessed.

Independent transport cost estimates support the impact assessment indicated by the affected shipper.

3. *Environmental impact; energy consumption.* Termination of rail service would result in an increase in truck volumes on route Pa. 54. Yearly costs could be expected to increase by about $800 on the critical section of this road near Hometown. This increase would have a negligible impact on air quality, noise and vehicular safety.

While the April 7, 1975 Report prepared by the Penn DOT reflected its initial reaction to the USRA Preliminary System Plan, it also included an individual line-by-line analysis of those six lines studied by the RSPO. Information for each branch line was aggregated and the results incorporated on a Summary Sheet. The individual analysis covered the following subject areas: traffic data differences; impacts with continued (or restored) rail service; impacts with abandoned (or restored) rail service; and coal potential. The last section shown on the Summary Sheet contained any pertinent remarks that would support retention of the branch line. Since three of the aforementioned sections contained only quantitative data, which will be incorporated within the individual line reports to be issued at a latter date, only the comments within the latter two sections (i.e., coal potential and remarks) are shown below:

(1) USRA LINE NO. 145: NORTHERN CENTRAL BRANCH

No specific remarks regarding this line were included in the Report.

(2) USRA LINE NO. 252: EMPORIUM SECONDARY TRACK

This section of track is very important for its overhead traffic. Total local overhead traffic amounts to over 3,000 cars. USRA viability formula requires 2,206 carloads per mile-per year, this is excessive.

(3) USRA LINE NO. 907/939: WILMINGTON AND NORTHERN BRANCH

Traffic for Delaware is not included but Coatesville-Modena traffic is included because handling all this traffic via Penn Central probably is not feasible due to topography and track layout. The 2.7% grade from Penn Central to Coatesville is restrictive and possibly unsafe. In addition, the Penn Central connection to Coatesville uses the westbound freight and passenger tracks to get to the Thorndale yards. This would interfere with several thru freight trains and 13 daily westbound passenger trains. Lukens Steel Co. indicated that it produces excessive dimension loads which cannot be shipped via Penn Central. In addition, 31,000 cars are moved between Modena and Coatesville each year for local operations. Bridge traffic amounts to approximately 6,300 carloads in 1973 between Wilmington, Delware and Reading, Pa. A coal shipper is building port facilities in Wilmington and plans to ship several hundred thousand tons of coal to Wilmington from the Pottsville area via the Wilmington and Northern Branch. If this branch is abandoned, this coal traffic plus the existing bridge traffic would be added to the congested Northeast Corridor through Philadelphia adding time and cost to the shippers and the railroad. It has already been indicated by USRA that there is an excessive amount of freight and passenger traffic in the Northeast Corridor and the abandonment of the Wilmington and Northern branch would certainly aggravate this situation. In 1974, three shippers received 1035 more carloads than in the previous year. Although this increase was off-set somewhat by a reduction in carloads by other shippers due to the economy, there was still a net increase of 382 cars for the year. One shipper anticipates receiving 180 carloads in 1975 compared to 12 in 1974 and has already received 36 cars this year. No expenditures are required to meet FRA Class I standards.

(4) USRA LINE NO. 912: GETTYSBURG AND HARRISBURG BRANCH

USRA viability formula requires 234 carloads/mile/year. This is excessive.

(5) USRA LINE NO. 935: STONY CREEK BRANCH

In addition to the many shippers which were not previously identified, the Zenith Corporation has purchased the Philco-Ford plant and intends to begin production as soon as the economic situation improves. Zenith estimates 600 carloads will be shipped and received each year when production begins. The Altemose Construction Company is developing a 5.2 acre industrial park on the line and several new firms are interested in the location provided that rail service continues to be available. The Reading R.R. currently operates a thru train between Lansdale and Norristown each night, making about 325 trips per year with 65 to 108 carloads per trip. This amounts to 28,275 carloads of "bridge traffic" per year. The Reading has indicated that moving this freight via Philadelphia would cost over $100,000 additional per year.

Other thru freight trains are required to use this line at times when the Reading to Bethlehem line is blocked or when trains are diverted from the Philadelphia to Lansdale line due to conflicts with passenger trains. SEPTA now operates 70 trains daily between Lansdale and Glenside Monday thru Friday and 76 trains on weekends. Between Glenside and Wayne Junction SEPTA operates 175 trains daily Monday thru Friday and 160 trains on weekends. The operation of these commuter trains sometimes necessitates diverting ore trains between Philadelphia and Bethlehem to the Stoney Creek Branch. Increases in passenger service in the future may require more freight traffic to be diverted to the Stoney Creek Branch. No expenditures are necessary to meet FRA Class I standards.

(6) USRA LINE NO. 1009: NESQUEHONING VALLEY BRANCH

Coal Potential. Coal mined in the nearby Panther Valley has traditionally been prepared, stored and shipped from the Hauto Valley along this branch. Large refuse banks remain here which are owned by the Northeast Land Co. and the Kovatch Bros. Seaboard Industries leases two banks at Nesquehoning with 20 million tons, of which one-third is recoverable.

The Marsden Coal Co. leases a bank at Hauto with 7 million tons of fly ash which is about 20 percent recoverable. Both of these operations will be producing coal for industrial consumers dependent on rail, and they plan to ship directly on this branch.

The Greenwood Collieries at Lansford had routed most of their coal on this branch through the Hauto Tunnel interchange between the Lehigh and New England Railroad and the Lehigh Valley Railroad. Bethlehem Steel recently purchased the Greenwood Co. along with its estimated 250 tons of recoverable coal in the Panther Valley and plan a doubling of production to 600,000 tons a year in the near future. At least half of this would have to be routed again over the Nesquehoning due to its large volume which cannot be handled by the L&NE alone, and the fact that this branch allows a direct access to Bethlehem's steel plants served by the Lehigh Valley.

Manbeck Dredging Co. leases a refuse bank from Greenwood Coal Co. in the Panther Valley with over 300,000 tons of recoverable coal which they expect to ship to long-distance industrial consumers from a suitable tipple at Hauto at the rate of 100,000 tons a year. Other banks are available for them to lease nearby to expand the life span of this operation to at least 10 years.

Remarks. Industrial Parks located along this line include Green Acres East and West and Tidewood East and West. Ametek located in Green Acres East expects 288 carloads in 1976 * * *. They anticipate 432 carloads in 1977 and 50 carloads per month when full production is reached. Tonolli, located in Green Acres West, will also require rail service. Several new plants can be accommodated in Green Acres West making rail service imperative. At present there are no shippers at Tidewood East but continued rail service would attract new users. Air Products and Chemicals requires rail service for its clearance loads—loads which require special handling and routing due to extreme size and weight. They expect shipments to increase to 75 carloads per year by 1976.

The Commonwealth, in its May 15, 1975 Report, set forth the various policies and criteria that were to be used in setting priorities for selecting those branch line rail services to be considered for assistance. Those policies were as follows:

(1) Any line that is profitable to its carrier by using a methodology that accurately calculates avoidable costs, according to the Rail Reorganization Act, should be included in Conrail.

(2) A branch line that shows overall profitability to the rail industry, even though segments of it may be unprofitable, should be retained by a restructured or solvent railroad without government assistance.

(3) Where freight rates have been adequate to cover operating costs and normal maintenance, but where maintenance has been deferred, the restructured or solvent carrier should bear the responsibility for rehabilitation. If they don't, the line would be acquired and rehabilitated using a combination of 70% federal, 20% state, and 10% local shares with local contributions consisting of local public funds, shipper contributions or a combination thereof. The level of track rehabilitation shall be determined through negotiation with shippers and local government and as cost effective analysis. Where required, negotiated surcharges, and modified levels of service, work rules and increased traffic should cover operating deficits insofar as possible. The surcharges should be imposed to the level where truck transportation costs or relocation become as attractive as continued rail service or the point where industrial operation ceases to be price competitive. Various state programs, including the Pennsylvaia Industrial Development Authority, shall be used insofar as possible to generate greater usage of the rail line and thus preclude the continued need for other strategies.

(4) To the extent of a local government's willingness to participate in a purchase of service program, insofar as required above and beyond acquisition modernization and negotiated surcharges and operating changes to cover avoidable costs and rental payments, the Commonwealth will provide an equal matching share of the program. However, the Commonwealth will only participate where the resulting community impacts from loss of rail service will provide greater losses than the cost necessary to continue the service.

(5) There shall be no federal and State financial participation either in acquisition and modernization or in purchase of service for lines excluded from Conrail and unprofitable even with rehabilitation and where economic loss is less than the needed assistance. However, the State shall lend its expertise in negotiating surcharges and service standard changes and to arrive at a satisfactory preservation of rail service where local and shipper contributions are available and sufficient to preserve service. Where rail service abandonment results, the State shall provide technical assistance for relocation, conversion to truck transportation, and would acquire the line for other transportation purposes where warranted.

(6) The Commonwealth will initially allocate available Federal and State rail assistance funds among regions on the basis of total needs to preserve service on all worthy lines and economic conditions in the region. Actual allocation among individual lines in each region will be determined on the basis of regional priorities, essentiality of service preservation, and detailed negotiations as to service changes, surcharges and local public contribution.

(7) The Commonwealth will continue to subsidize up to two-thirds of the losses of rail passenger commuter lines not covered by Federal assistance from the funds under Section 402 of the Reorganization Act and applied uniformly to preserve passenger as well as essential freight service.

(8) With passage of enabling legislation, the Commonwealth will provide matching funds under Section 403(b) of the Rail Passenger Service Act of 1970 to support intercity passenger rail service in corridors consistent with the State Rail Plan.[a]

As required by the U.S. Department of Transportation, Federal Railroad Administration Regulations (49 CFR Part 255) and mandated in Section 402(e)(1) of the RRR Act, the Penn DOT completed Phase II of its State Rail Plan with the issuance of its December 9, 1975 Report. Contained within the Report was a priority list of 93 lines to receive rail service continuation subsidies (see Table 1). Penn DOT developed a screening methodology to determine roughly what branch lines qualified for subsidies. Lines were initially categorized by Penn DOT in the following manner:

TABLE 1.—*Rail services for which the State wishes to receive assistance ranked in descending priority order*

	USRA No.	Description
1	273	Dimeling to Wynn.
2	326	Black Lick Junction, Ind.
3	328	Youngwood to Terminus.
4	184	Millersburg to Elizabethville.
5	303	Price Run Industrial Track near Dixonville (MP 0.0 to 0.3).
6	196	Hamburg to Schuylkill Haven (MP 84.5 to 86.0).
7	327	Homer City to Terminus.
8	648	Red Bank to Schenley (MP 53.5 to 63.5).
9	341	Cokeburg Branch near Cokeburg.
10	1009	Nesquehoning Junction to Tamamend.
11	1238	Lackawaxen to Honesdale.
12	921	St. Clair to Bear Run Junction (MP 0.0 to 2.9 plus 8.7 to 9.9).
13	330	Hunter Run Branch near Yukon.
14	925	Tremont to Pine Grove.
15	185/186	Paxtonville to Selinsgrove Junction.
16	1004	Towanda to Dushore (MP 234.0 to 249.0).
17	345B	Westland Industrial Track.
18	217	Cumberland, Md. to Bedford, Pa. (MP 46.5 to 54.0).
19	348A	Cherry Valley Industrial Track at Burgettstown.
20	206	Marion to Mercersburg.
21	230	Southport, N.Y. to Hepburnville, Pa, (MP 23.5 to 36.0).
22	339	Vance Mill Branch near Bute.
23	651	Falls Creek to Brockway (MP 19.0 to 22.5).
24	344	Bridgeville to Sygan.
25	268	Viaduct to Grass Flat.
26	651	Falls Creek to Brockway (MP 22.5 to 27.3).
27	335	Coal Lick Run near Uniontown (MP 0.0 to 0.2).
28	905	Lansdale to Doylestown.
29	1252	Howard to Crenshaw (MP 0.0 to 2.7).
30	143	West Chester Branch at West Chester (MP 29.5 to 29.9).
31	906	Oaks to Emmaus Junction (MP 24.0 to 38.6).
32	1012	Franklin Branch to Franklin Breaker.
33	904	Cheltenham Junction to Newtown.
34	352	Shippingport to Kobuta.
35	903	Chestnut Hill to Wayne Junction (MP 5.1 to 6.0).
36	1007	Laurel Junction to Rock (157.5 to 158.2).
37	923	Ruppert to Haucks (MP 105.4 to 123.0).
38	1256	Farrell to New Castle (MP 4.4 to 19.3).
39	242A	Mill Hall, Ind. at McElhatten.
40	260A	North Warren to Warren.
41	1228	Kingston to Northumberland (MP 171.0 to 177.0).
42	912	Gettysburg to Carlisle Junction.
43	223	East Vintondale to Terminus.
44	910	Kutztown to Topton.
45	1008	Delano to Raven Run (MP 164.1 to 165.1).
46	177	Pomeroy to Doe Run (MP 0.0 to 3.7).
47	197B	Hamburg to Reading.
48	1228	Kingston to Northumberland (MP 153.9 to 171.0).
49	142	Cokra, Md. to Wawa, Pa. (MP 27.0 to 39.7).

[a] Pennsylvania Statewide Rail Plan Phase I Submission to the Federal Railroad Administration, op. cit., pp. III-1/III-2.

	USRA No.	Description
50	125	Allen Lane to East Lane.
51	198	North of Frederick, Md. to Spring Grove, Pa. (MP 33.0 to 38.0).
52	208	Mechanicsburg to Dillsburg.
53	143	Colora, Md. to Wawa, Pa. (MP 18.0 to 27.0).
54	907/939	Elsmere Junction, Del. to Elverson, Pa. (MP 15.7 to 30.2).
55	257	Brookville Track at Brookville (MP 0.0 to 1.0).
56	915	Shedburg to Lebanon (MP 0.0 to 9.0).
57	331	Hempfield Junction to Hermine.
58	252	Warren to Ridgway (MP 66.5 to 92.5).
59	1004	Towanda to Dushore (MP 240.0 to 253.2).
60	1007	Laurel Junction to Rock (MP 156.2 to 167.1).
61	145	Cockeysville, Md. to Hyde, Pa. (MP 33.8 to 54.6).
62	1006	Pink Ash Junction to Freeland.
63	1229	Old Line Junction to Nicholson.
64	915	Shedburg to Lebanon (MP 9.0 to 18.5).
65	909	Eshback to Pottstown (MP 0.0 to 11.0).
66	225	Watsontown Section Track at Berwick
67	208	Yeagertown to Reedsville.
68	906	Oaks-Emmaus Junction (MP 18.0 to 24.0).
69	663	Fairchance to Connellsville.
70	180	Cornwall to Lebanon (MP 21.4).
71	177	Pomoroy to Doe Run (MP 3.7 to 5.6).
72	239/1245	Lawrenceville to Blossburg.
73	916	Manheim to White Oak (MP 0.0 to 0.7).
74	916	Manheim to White Oak (MP 0.7 to 4.5).
75	171	Commerce St. Branch at Philadelphia (STA 0 to 11 plus 43) plus (20 plus 56 to 26 plus 90).
76	913	Hummelstown to Middletown.
77	250	Corry to Titusville.
78	917	Columbia to Lancaster Junction (MP 38.7 to 39.7).
79	924	Rupert to Milton (MP 166.0 to 169.0).
80	920A	Limits to Sinking Springs (MP 15.0 to 20.0).
81	647	Red Bank to Elmerton (MP 64.6 to 68.9).
82	140	Wawa to Upland (MP 5.8 to 6.1).
83	941	Preston Branch.
84	942	Girard Mammouth Colliery Branch.
85	230	Southport, N.Y. to Hepburnville, Pa. (MP 36.0 to 39.2).
86	1005	Montrose to Tunkhannock.
87	911	Carlisle Junction to Gettysburg Junction (MP 4.5 to 6.3).
88	659A	Thompson to Mount Carmel (MP 18.2 to 19.2).
89	360	Jamestown to Linesville (MP 90.5 to 97.6).
90	1225	Rock Junction to Jessup (MP 2.7 to 6.7).
91	356	New Castle to Mercer.
92	357	Wilmington Junction to New Wilmington.
93	935	Norristown to Lansdale.

SOURCE: Pennsylvania Statewide Rail Plan Phase II Submission To The Federal Railroad Administration, op. cit., pp. 34–36.

(1) *Highest priority.* If the specific branch line had 18 or more carloads/mile/year, it was automatically included in the "Preserve-Highest Priority" category * * *.

(2) *Medium priority.* Even though motor carriers would be more economically efficient below the 18 carload figure, branch lines with slightly less than 18 carloads/mile/year have been classified as Medium Priority.

In special cases, branch lines were considered for factors other than the carload criterion. Such factors as proposed industrial parks, guaranteed future traffic and movements of special materials (nuclear waste, for example) were of importance even though the line was below the 18 carload standard.

In addition, all lines with coal deposits were studied further to determine the economic potential and desirability for local or State participation in acquisition and "land banking".

(3) *Lowest priority.* All other lines are designated as "Lowest Priority". No analysis was done on out-of-service lines unless local representatives reported or furnished documented data.[23]

[23] Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration, op. cit., pp. 8–12.

With regard to the six lines which are the subject of this Report, the following initial and subsequent priority rankings were assigned:

USRA line No.	Priority ranking: Penn DOT report, Dec. 9, 1975	Priority ranking: Penn DOT report, Mar. 1, 1976
145	61	28
252	58	1
907/939	54	38
912	42	15
935	93	51
1009	10	7

Again, the Commonwealth made an individual line-by-line analysis of those six lines studied by the RSPO. The individual analysis covered the following subject areas: Federal funds required, line description, financial and traffic data, impacts due to rail service termination, preservation and abandonment costs, and preservation strategies. Only those two sections, "Recommended Solutions For The Continuation or Preservation of Rail Service" and "Additional Comments" are shown below:

(1) USRA LINE NO. 145: NORTHERN CENTRAL BRANCH

The Commonwealth will acquire the line using State flood funds for the non-Federal share.

* * * * * *

The Commonwealth will request Amtrak to provide passenger service over this line under Section 403(b) of Pub. L. 91–518 when the State has enabling legislation to subsidize any losses.

(2) USRA LINE NO. 252: EMPORIUM SECONDARY TRACK

This line will be acquired by the Commonwealth using local funds for the non-Federal share.

* * * * * *

The Commonwealth will acquire this line only if Conrail will use it for through routing.

The Commonwealth will request Amtrak to provide passenger service over this line under Section 403(b) of Pub. L. 91–518 when the State has enabling legislation to subsidize any losses.

(3) USRA LINE NO. 907/939: WILMINGTON AND NORTHERN BRANCH

This line is to be acquired by the Chessie System.

Should the Chessie acquisition not take place the line will be acquired by the Commonwealth using local funds for the non-Federal share.

(4) USRA LINE NO. 912: GETTYSBURG AND HARRISBURG BRANCH

This line should be acquired and operated by the Chessie System. This line will be subsidized.

(5) USRA LINE NO. 935: STONY CREEK BRANCH

This line is to be acquired by the Chessie System.

Should this acquisition not take place the line will be acquired by the Commonwealth using local funds for the non-Federal share.

(6) USRA LINE NO. 1009: NESQUEHONING VALLEY BRANCH

This line will be subsidized.

* * * * * *

Coal operations if implemented as planned would produce additional net revenues of $70,000, in 1976, this is not reflected in the above table under funds required.

On March 1, 1976, the Commonwealth revised the priority ranking of its 93 lines in order to give further consideration to regional preferences, overhead traffic, high-and-wide traffic and important connecting-line traffic; a total of 63 lines were ranked (See: Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration: Supplement). The Commonwealth described its methodology for determining priorities in the following manner:

The priorities for our State Rail Plan were based on the total carloads and density (carloads per mile) for each line plus the benefit/cost ratio of abandonment cost to preservation cost. All lines were ranked and indexed by total carloads and carloads per mile. The lines were then merged by multiplying indices and ranking the resultant value.

Benefit/costs for each line were determined by dividing the abandonment cost * * * for each line by the annual preservation cost * * *. All the lines were ranked according to the benefit/cost ratio. By taking the average of the two rankings by benefit/cost and carload data for each line a priority list was developed.[24]

With respect to the future status of subsidized branch lines the Commonwealth declared:

It is not possible at this time to predict the future of each individual branch line in Pennsylvania. Our intent is to establish a program whereby we can reevaluate all of our subsidized branch lines each year as a basis for determining a plan of action for each line.

During the last quarter of each year there will be a reevaluation of the demand and use of rail freight services on each line included in the subsidy program. Where traffic is substantially greater or less than expectations upon which the subsidy program was established, there will be examination to determine if a higher or lower priority should be given because of the change.

The Commonwealth's policy of sharing in the local share of subsidy required to continue branch line rail service is dependent upon appropriations from the General Assembly. Penn DOT has recommended that the State share be one-half of the amount required of local subsidizers to maintain service. If there are insufficient State funds to provide this portion of the match, a priority scheme will be developed that takes into account the number of jobs protected by continuing rail services to rail users, the personal income protected by the service, the number of cars and revenue that would be lost to railroad traffic and other economic, social and environmental factors that are important.

Such a rating scheme will be developed consistent with the Governor's announced policy of seeking to preserve needed rail service to businesses and communities in Pennsylvania where it is economically and socially beneficial.[24]

[23] Pennsylvania Statewide Rail Plan Phase II Submission to the Federal Railroad Administration: Supplement, op. cit., p. 13.

[24] Ibid., p. 10.

In a March 23, 1976 letter from David Barber, of the Penn DOT, to Garold Thomas, of the U.S. Department of Transportation, the long-term disposition of those six lines studied by the RSPO was stated in the following manner:

(1) USRA LINE NO. 145: NORTHERN CENTRAL BRANCH

This line is to be purchased by the Commonwealth with service provided without subsidy by an independent operator.

(2) USRA LINE NO. 252: EMPORIUM SECONDARY TRACK

The Commonwealth will purchase this line with any remaining operating deficits paid by the Commonwealth and/or shippers.

(3) USRA LINE NO. 907/939: WILMINGTON AND NORTHERN BRANCH

The Commonwealth intends to purchase this line with freight service provided by an independent operator.

(4) USRA LINE NO. 912: GETTYSBURG AND HARRISBURG BRANCH

The Commonwealth intends to purchase this line with non-subsidized service to be provided by an independent operator.

(5) USRA LINE NO. 935: STONY CREEK BRANCH

This line is to be purchased by SEPTA with continuing local freight deficits paid by the shippers.

(6) USRA LINE NO. 1009: NESQUEHONING VALLEY BRANCH

Conrail owns this line. Continuing operating deficits are to be paid by the shippers.

On August 3, 1976, the Commonwealth updated its rail plan once again. This revision also included statements of the Commonwealth's intentions for the long-term disposition of each line included in the State Rail Plan. With regard to the six lines which are the subject of this Report, the Pennsylvania Department of Transportation stated the following:

(1) USRA LINE NO. 145: NORTHERN CENTRAL BRANCH

The Commonwealth intends to designate an operator for this line once rehabilitation work is completed. Initially, local freight service will be provided between York and New Freedom. In the longer term, the line will be restored to Cockeysville, Md., with the cooperation of Maryland DOT so that through freight and passenger service can be provided between York and Baltimore.

(2) USRA LINE NO. 252: EMPORIUM SECONDARY TRACK

The Commonwealth has purchased this line (from Warren to Kane). Operating deficits will be paid by Commonwealth and/or rail users. The Commonwealth intends to make this line available for through freight and passenger service (Conrail is the designated carrier).

(3) USRA LINE NOS. 907/939: WILMINGTON AND NORTHERN BRANCH

The Commonwealth intends to purchase this line and to have Rail Development, Inc., operate this line in conjunction with USRA Line No. 142.

(4) USRA LINE NO. 912: GETTYSBURG AND HARRISBURG BRANCH

The Commonwealth intends to purchase this line with service provided by an independent operator.

(5) USRA LINE NO. 935: STONY CREEK BRANCH

SEPTA has purchased this line. Continuing local freight operating deficits will be paid by rail users.

(6) USRA LINE NO. 1009: NESQUEHONING VALLEY BRANCH

Conrail holds a long term lease to the property and will eventually own it outright. Continuing operating deficits are to be paid by the rail users.

Results of the RSPO Evaluations

The remainder of this summary consists of a descussion of the results of RSPO's in-depth evaluations of the six Pennsylvania lines. Full evaluations of the individual lines will be published separately at a later date. Included in the present discussion are summaries of the evaluations of each of the lines and of the actions which may be necessary to make the lines economical. The Office has found that there are many actions which could be applied to all of the lines; therefore, this discussion will first analyze those actions capable of general application. It will then briefly discuss the lines on an individual basis, identifying the lines, some of their specific problems, and the actions best-suited to dealing with those problems.

Actions Which May Be Necessary for All Lines Studied

For purposes of this report, the courses of action which may be pursued in attempting to make the operation of the six lines economical have been divided into five categories: subsidization by the public sector; increased railroad revenue and/or traffic; decreased railroad costs; acquisition by other railroads and/or government entities; and economic development programs. Each of the alternatives has certain advantages and disadvantages, and it must be recognized that there is no single "magic" formula for success. Obviously, these strategies are not mutually exclusive, and the particular combination which will prove most successful can best be determined only after an extensive examination of the many factors affecting traffic and market potentials. The ultimate choice among starategies may vary with the line segment and may be determined by political imperatives as well as the demands of economic efficiency.

Subsidization by the public sector. Direct subsidization by the public sector is often advanced as the single best alternative to abandonment of light-density lines. Proponents of this viewpoint cite the provisions of the RRR Act which imply that, if it is in the public interest to continue rail services that are not financially viable in the private sector, the public must be willing to assume at least partial financial responsibility for the losses incurred.

Section 402(a)(1) of the RRR Act provides financial assistance "* * * in the provision of rail service continuation payments, the acquisition or modernization of rail properties, including the preservation of rights-of-way for future rail service, the construction or improvement of facilities necessary to accommodate the transportation of freight previously moved by rail service, and the cost of operating and maintaining rail service facilities such as yards, shops, docks or other facilities useful in facilitating and maintaining main line or local rail service." [45] The RRR Act provides a detailed procedure for the determination of rail service continuation payments; however, from the language of section 402 and from the funding provisions of the RRR Act, as amended by the RRRR Act, it is clear that a service continuation subsidy is to be viewed as a short-term transitional measure and not as a permanent solution to the problem of a light-density line.

There are numerous alternatives to rail service continuation payments which could be employed by the State of Pennsylvania. However, before examining these alternatives, it is necessary to discuss the question of rehabilitation of the lines. The Office has concluded from its study that, for almost all line segments examined, unless the individual lines are rehabilitated to at least FRA Class I standards, implementation of any other courses of action will not prove sufficient to make the lines economical. In some cases, lines which could ordinarily be served easily in one day require two days because the trains must literally creep across the tracks. It is doubtful that any combination of incentives will serve to increase traffic over such lines as long as their condition and, consequently, their service continues to deteriorate. Conversely, the rehabilitation of these lines will contribute to an immediate reduction in operating costs, and the improved service over the line should, hopefully, produce an increase in shipments. Furthermore, once a line is rehabiliated it will be more attractive to potential rail patrons and, in some instances, to railroads, which at present are not interested in either acquiring or operating it.

Among the alternatives to rail service continuation payments would be a direct payment of an operating subsidy to cover some specific portion of the branch line costs, e.g., maintenance or operating costs. Another form would be a general subsidy based on factors such as anticipated traffic volume. Such a subsidy could be variable, e.g., the amount of the subsidy could vary with the volume of traffic, or the profit, or any specified condition. One major problem is that with existing branch line data problems, it would be very difficult to determine the exact amount of subsidy needed. A reliable technique for estimating future demands for market conditions for each firm on the line is mandatory.

An indirect form of subsidy which could be employed is a user tax applied to other modes serving the area, with the resultant revenues either helping the

[45] 45 U.S.C. 702.

branch line or being used for other economic stimulus in the area. The main problem with this form of subsidy is that the basic costs of transportation to area firms might effectively eliminate them from more distant markets and, in effect, cause a downturn in their overall business.

Another form of subsidy to be considered is a payment by the State or local authority to rail users for increased rail use, which would be the same as a rate reduction to shippers and consignees. The amount of the subsidy could be determined by how responsive the demand for rail services was to the reduction in rates. If the subsidy were paid for terminating as well as originating traffic, it would provide a direct incentive to induce consignees as well as shippers to use rail. A word of caution, however, is warranted. An incentive to compensate for any imbalances found between inbound and outbound traffic would have to be devised to insure the success of a subsidy program.

It should be stressed that a complete understanding of traffic flows, rates, and comparative system costs is necessary prior to the implementation of any of the subsidy alternatives discussed in this Report. Rail patron responses provide little basis for judging the likely success (or cost) of different subsidy alternatives. Information must be obtained through a detailed review of the transportation requirements and market potential for each of the firms on the line to be subsidized.

Many shippers or consignees will not use rail service unless the service is improved over its current levels of operation, which means an increase in costs, both in operations and maintenance. The State or local authority could grant a subsidy either to a carrier or to the firms using the rail service, with the necessary revenues provided by the users as a supplemental charge which would cover both operating and capital losses of the branch line. This form of exchange would avoid any subsidy and place the burden of maintaining the service on the beneficiaries. In effect, the objections of an indirect charge from other modes would be eliminated; however, the result might well be the same, an eventual loss of business and rail traffic to other modes because of the higher effective costs of using rail service.

Another alternative to direct payment of a specific subsidy would be some form of tax forgiveness by the State and/or local communities and counties; most branch line deficits appear to be substantially greater than the revenues derived from taxes generated on the branch lines under study. Tax forgiveness for rail patrons on the basis of rail usage is a possibility which also might be considered. Tax relief programs used in conjunction with other techniques would further reduce the apparent cost of supporting rail operations, e.g., tax relief could reduce the reported breakeven operating cost and thereby reduce any subsidy payments. A rate increase, in conjunction with tax relief, could also be employed. Another combination would be to increase traffic volume in conjunction with tax relief so that the breakeven point could be reached. However, it must be pointed out that the difference between tax relief and explicit subsidy is more illusory than real. If county taxes are forgiven, either the burden must be borne by other businesses and residents in the county or county services will have to be reduced. Essentially, this is also true on the State level.

The local or State government could assist branch line operations with a variety of other capital subsidy programs used separately or together with operating subsidies or tax relief. Such programs could involve grants for line rehabilitation and repair; the purchase of equipment; interest rate subsidies; or loan guarantees. The latter two types of support are longer range in nature and might be expected to have little immediate effects on branch line continuance; however, if offered in cooperation with other types of State aid, they might prove attractive.

Increased railroad revenue and/or traffic. All possibilities which might result in increasing the revenues generated by the lines should be explored. The adoption of one or more of the following actions on each line could help to accomplish this objective:

(1) A restructuring of freight rates on traffic on the branches is necessary.[36] Based upon the ability of users and consumers to stand the burden, freight rates need to be increased. An examination of the users surveyed by the RSPO Project Teams found that on many of the lines the increased costs to the users which would result from a rate increase on most traffic was small, i.e., transportation costs do not comprise a large share of the total costs of products shipped.

(2) The effects of reducing rates should also be explored. In some instances, such a reduction might result in more revenues through increased traffic than would an increase in rates, which could have the effect of reducing traffic.

(3) A surcharge could be placed on all shipments, either on a per-unit basis or on the basis of an absolute charge per rail patron.

(4) Rail patrons and the railroad could engage in cooperative activities designed to increase business.

(5) Users of a line could agree to guarantee to generate a specific amount of tonnage per year. Agreements for such "loyalty" shipments should include a scale to adjust for future cost changes.

(6) The State should explore the possibility of taking an active role in rate negotiations, either through trying to help a branch line obtain a larger share of existing revenues or through encouraging shipper routings that would result in the operating carrier receiving a longer haul.

(7) Local industries should be encouraged to use the branch line, even if it means shifting tonnage from a preferred mode.

(8) An industrial development program designed to bring about a greater diversification of traffic on the lines should be pursued.

(9) The use of team tracks should also be encouraged.

Reductions in railroad costs. All possibilities for reducing costs of operations on the lines should be explored. The following actions should be considered:

(1) Meetings should be held with the operating railroads, organized labor, and other interested parties to examine whether special labor agreements may be negotiated which might result in lower operating costs and greater productivity in the service of the branch lines. Among the things to be considered would be: crew size reductions; local operating/work rule modifications; and crew assignments on main-line and yard terminal operations. The parties should also explore ways in which costs could be reduced by such actions as sharing clerical responsibilities.

(2) The State could assume responsibility for vegetation control programs near highway crossings; maintenance of highway grade crossings; installation of highway crossing protection; and other high maintenance cost items. Individual communities, with or without State assistance, could assume shared responsibility for such programs. The State could also arrange for a reduction of highway grade crossings.

(3) The State, the operating railroads and interested parties should also seek to arrange for those levels of service over a line which would encourage rail usage.

Acquisitions by other Railroads and/or Government Entities. Besides subsidizing light-density lines, whether directly or indirectly, the State should consider purchasing some of the lines in order to continue needed rail service. The concept of State-owned railroads is neither a new nor novel approach. The States of Georgia, North Carolina and Vermont have owned and leased rail lines for many years.[37] Many individuals expect more States to adopt this course in the future; however, the long-term financial commitments involved in this approach may not be universally appealing.

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[36] Railroad rates are set in a complex way with many factors given consideration that frequently result in charges for particular shipments having little relationship to the cost of transporting the commodities moved. In addition, once negotiated, the rate levels, as well as the specific rate, are difficult to change. It is imperative that a systems approach be utilized in examination of the reasonableness of the level of rates for the specific branch lines. In many cases, the crosssubsidization of rates by previous rail carrier managements may have been utilized to accomplish a completely different set of goals, with a different operating configuration, than those of the present rail operations.

[37] William R. Black and James F. Bunke, The State and Rural Rail Preservation: Alternative Strategies, (Lexington: The Council of State Governments, October, 1975), pp. 61–62.

In considering whether to purchase a line, the State must consider the purchase price and the rent to be paid to the State for use of the line. The salvage value of the line, assuming abandonment, should be the upper limit of its purchase price; rent should be based on the traffic volume generated. Any difference between the rental costs and the cost of maintaining the line and the return the State could have earned on the funds (through other projects), in effect would represent the subsidy for the operation of the branch line.

After purchasing a line, the State could lease the line to a rail carrier for a specified level of service. This procedure would assure service in instances where the railroad was uncertain about the duration of operating assistance from a State or had failed to adequately forecast future traffic levels. The State may wish to take an equity position in the case of several branch lines to improve its bargaining position in negotiations with rail carrier management with respect to service levels on other branch lines. It is important to recognize that unless a State purchase/lease-back or purchase/contract for services allows a savings on the maintenance or rehabilitation costs of a line, there is little to recommend it. In other words, a truly uneconomic line will not change its performance as a result of a change in ownership.

If a State purchased a line and contracted for services, it would be in the transportation business and have a direct role in the determination of freight rates over its portion of the lines. Such an arrangement could be handled in two ways: the State could contract with Conrail or another carrier for a specified level of service on the branch line and in turn, sell that service to users; or the State could publish a set of tariffs and negotiate the division of revenue as well as the price that Conrail or another carrier could charge for providing service over the branch line.

Another alternative to maintain rail service would be ownership by groups of local shippers, employees, or other rail carriers. Under such an arrangement, the owners might lease the line to Conrail or some other carrier and contract for desired service levels. The local group might also decide to operate the branch line as a shortline railroad; however, it must be recognized that the assumption behind all such proposals is that the new owners can operate the line at lower cost or generate more traffic revenues than the prior rail management. In these types of proposals, lower costs are expected to result from "improved" labor conditions and the use of different techniques for maintenance and operation. Same shortlines have operated with less restrictive labor rules, but unless better service levels result, it cannot be assumed that local businesses, even with a financial interest in the railroad, will assure greater freight revenues and profits. Shortline revenues, to a large extent, depend upon the rate divisions or freight absorption worked out with the main line carriers, and the feasibility of such ownership proposals must be examined with care. There is an advantage in placing the responsibility and control in the charge of those who benefit most directly from the preservation of the service. However, it must be realized that in many cases these are small businesses and their managements simply may not be capable of running their business and a railroad at the same time. It is suggested that the State might have to play a significant role in freight rate negotiations and be ready with subsidy if the operation failed. Such failure would obviously reflect on the financial viability of the owners of the branch line and could result in the failure of the firms involved and economic catastrophe for the entire region.

It should be noted that a State may use Federal funds under the RRR Act, as amended, to purchase the lines or to provide for their operation and rehabilitation to FRA Class I standards through accelerated maintenance. The State cannot do both. In other words, once a State uses the funds to purchase a line, it can no longer receive Federal funds for the operation or the rehabilitation of that line. Therefore, it would be to the State's advantage, whenever it decides that it wants to acquire a line, to postpone acquisition until the line has been rehabilitated.

It should also be noted that in some cases, it may prove cheaper in the long run for a State to rehabilitate the line and actually give that line to a profitable railroad, than for the State to continue to participate in paying for subsidized operations over that line.

One other alternative that should be considered by the State is the preservation of rights-of-way. If a decision is made with regard to a particular line that no combination of actions can reasonably be expected to make operation of the line economical, the State must consider whether the line should be preserved for the future. A State may have quite distinct interests in the preservation of a right-of-way and the preservation of operations over it. Even if a right-of-way has little present potential, its dismantling could have a serious future impact on the area in which it is located. Furthermore, as energy costs increase in the future, motor carriers may lose their competitive advantage in serving industries located on some of the light-density lines, and many of the costs and service disadvantages of these lines may decline.

Economic development programs to attract rail-dependent industries. Every possible effort should be expended to attract rail-dependent industries to light-density lines. Essential to the achievement of such a goal is the rehabilitation of the lines, since new industries will not even consider locating on a line which is not up to at least FRA Class I standards. Even when a line is in good condition, however, the competition to attract industries is extreme.[35] As David Richmond, the Economic Development Director of the Columbus Area Chamber of Commerce (Indiana) pointed out, "While some 3,500 new industrial plants are built each year, 16,000 development groups are at work trying to lure them".[36] It should also be recognized that while available rail transportation is an important criterion in site selection, it is only one of many and in a number of cases is actually the least important. In discussing the U.S. Steel Corporation's decision to locate a major steel mill in Conneaut, Ohio, Eliot Janeway made the following observation:

> • • • The consideration that stamps Conneaut, Ohio as a growth center of the future is neither accidental nor whimsical.
>
> Conneaut will be a major steel mill center because it already is a minor water shipping point. The day has long since passed when cheap rail transportation costs invited major industrial facilities to locate inland.
>
> Nowadays the pressure to cut the cost of handling basic bulk materials dictates the choice of constal sites for major industrial facilities.[37]

It should be further noted that some of the methods listed earlier that could be employed to keep an excluded line in service, such as a rail patron surcharge, may actually discourage new industries from locating on that line. All other factors being equal, a decision by a prospective rail user to locate on a rail line excluded from Conrail generally involves a much higher risk than a similar decision to locate on a profitable railroad.

Line-By-Line Analysis

USRA Line No. 145: Northern Central Branch. The Northern Central Branch, formerly part of the Pennsylvania Railroad, extends directly north from Baltimore, Maryland (milepost 1.0) across the Maryland-Pennsylvania State Border

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will go to secure industries. The reported initial package of incentives offered Volkswagen included the following:

The company would be exempted from franchise and realty transfer taxes.

The Pennsylvania Industrial Development Authority would grant a $40 million loan to buy an unused Chrysler Corporation plant for the auto firm to lease.

The State would spend $30 million on highway and rail links to the plant.

The State would waive 95 percent of local taxes, the first two years and 50 percent the following two years.

The State would arrange for employee training.

The State would provide a $135 million tooling loan (Volkswagen decided later to do its own financing on this proposal when negotiations with Pennsylvania became snagged).

Source: "Rabbits In The Cabbage Patch," The Wall Street Journal, Vol. CLXXXVIII, No. 6, August 17, 1976, p. 18; "GOP Study Queries VW Plant Figures," The Washington Star, No. 275, October 1, 1976, p. C-6; Terry P. Brown, "VW Delays Start-Up Date At Its Facility in New Stanton; Parts Problems Develop," The Wall Street Journal, Vol. CLXXXVIII, No. 66, October 6, 1976, p. 2.

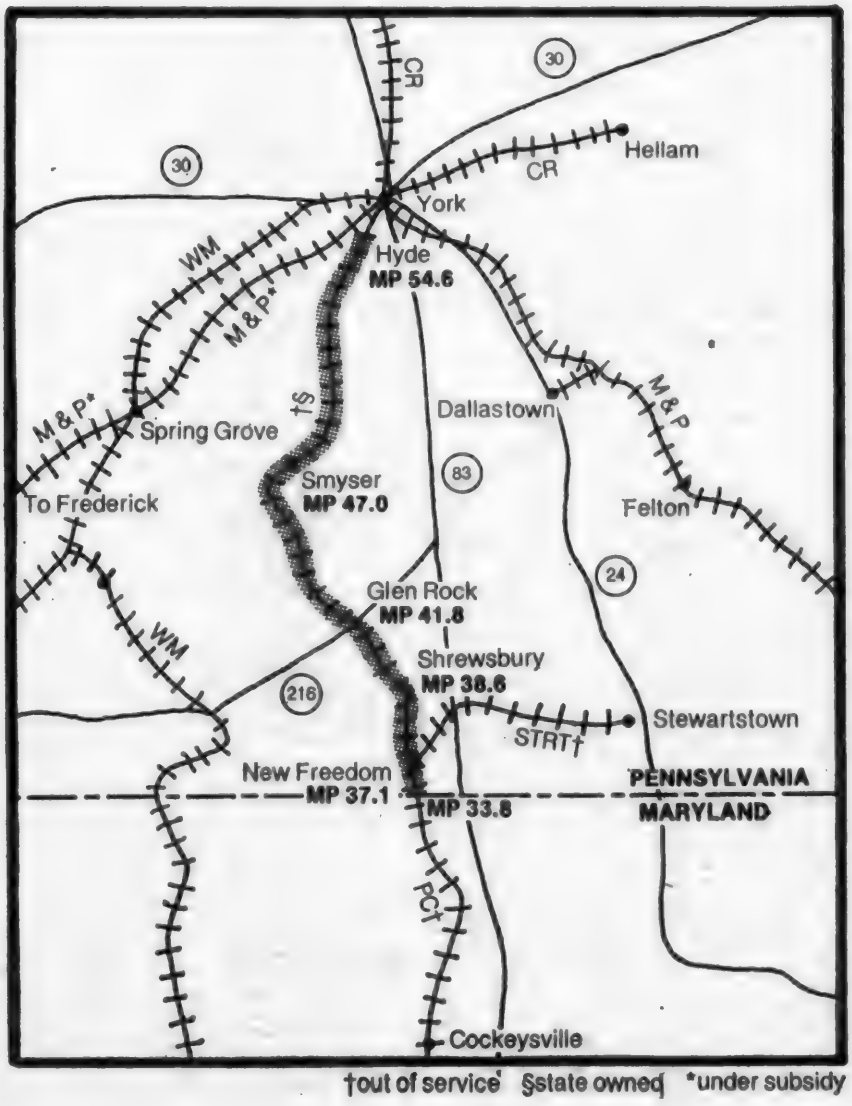
[36] David Richmond, "Americans Battle For Industry," The Republic, June 18, 1976, p. A-1.

[37] Eliot Janeway, "U.S. Steel Bets Against Inflation," The Washington Star, July 7, 1976, p. A-19.

[35] The recent establishment of a Volkswagen "Rabbit" assembly plant at New Stanton, Pennsylvania, is a classic example of the lengths to which development groups

(milepost 35.6) through New Freedom (milepost 37.1), Shrewsbury (milepost 38.6), Seitzland (milepost 41.0), Glen Rock (milepost 41.8), Seitzville (milepost 44.9), Smyser (milepost 47.0) and Hyde (milepost 54.6) to York (milepost 57.2), a distance of 56.2 miles. The RSPO analyzed only that portion of the Northern Central Branch from York (milepost 57.2) to the Pennsylvania-Maryland State Border (milepost 35.6), a distance of 21.6 miles. York traffic is not included in this line analysis since it is being served by Conrail. The line connects at York with Conrail's Harrisburg line, Conrail's Frederick line, and the Western Maryland's (Chessie System) line to Hanover. At New Freedom the line also connects with the inactive Stewartstown Railroad. That portion of the line which is located in Pennsylvania serves portions of York County. USRA Line No. 145 has not been operated in Pennsylvania since June, 1972, due to washouts occasioned by Hurricane Agnes; passenger service ceased on May 1, 1970. The Commonwealth has expressed an interest in preserving the right-of-way for possible restoration of rail service between Baltimore and Harrisburg, as a "back-up route" for the freight and passenger traffic now being carried over the Northeast Corridor. As a result of this interest, Pennsylvania has acquired the portion of the line between Hyde and the Maryland State Border.

Figure 1: USRA Line No. 145



The Northern Central Branch serves an area of the State which is characterized by a mixed agricultural and industrial economy. While the termini, Baltimore and New York, are substantial industrial and urbanized areas, the remaining towns within York County, around the branch line, serve primarily as trade and distribution centers for the surrounding agricultural areas. Farming in York County is generalized in nature, with both field and truck crops and cattle raising contributing importantly to the County economy. Tobacco is grown to a certain extent along the Susquehanna. Dairying also is of significance. The branch line is located in a relatively hilly area on the edge of the Piedmont Plateau, an area which nevertheless is well suited to both industrial and agricultural activity.

According to the 1960 and 1970 Census of Population, population in York County increased significantly over the past two decades. Between 1950 and 1960, population rose by 17.6 percent, including 3.4 percent net in-migration from nearby urban centers. During the succeeding decade, population rose once more by 14.4 percent, again including 4.5 percent net in-migration. By 1970, York County had a total population of 272,603 persons. Although agricultural activity is significant in the County, 56.3 percent of the population was classified as urban in 1970.

The 1970 labor force in York County was 119,195 persons, of whom 2.2 percent were unemployed. Analysis of employment distribution showed that 43.2 percent of all jobs in York County were generated by the manufacturing sector, while wholesale and retail trade contributed another 18.8 percent. Government jobs amounted to only 9.2 percent of the total, while the service sector accounted for only 5.1 percent. The construction industry provided jobs for 6.2 percent of all workers, a reflection of the rapid rate of growth in the County over the past two decades. The picture thus painted by both the Census and County Business Pattern data is that of a highly developed nonagricultural sector in York County, with a well balanced manufacturing structure, dominated by machinery and fabricated metals.

According to Census data, the rural nonfarm population in York County in 1970 was 107,560 persons. The farm population was a healthy 11,523 persons, a figure which represented a 29.3 percent decline from the 1960 level. York County reported 2,978 farms in 1970, averaging 109 acres in size. Average farm revenue was $21,418 at that time. Revenue sources were relatively balanced, with field and truck crops contributing 27 percent of all farm revenue, livestock contributing 27.8 percent, and dairying contributing 25.7 percent. Poultry and poultry products also contributed 19.3 percent. 39.1 percent of all County farms showed sales between $10,000 and $40,000 per year.

Census data indicate that value added by manufacturing in York County in 1967 was $594.5 million, a 52.9 percent increase over the 1963 level. These figures

indicate strong manufacturing growth over that period.

Of the towns in and around the branch line in Pennsylvania, only York is fully analyzed in the 1970 Census. At that time the town had 50,335 inhabitants.

Census data show that York County has experienced strong and diversified growth over the period since 1960. Both agriculture and industry have expanded, in a mutually reinforcing growth pattern. This strong growth can be expected to continue in York County over the near future.

The Commonwealth of Pennsylvania, local rail patrons, the Stewartstown Railroad, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 29 firms that were alleged to have used the Northern Central Branch. Of these 29 firms, one firm was listed twice and local officials and rail patrons had no knowledge of the existence of a second firm. The remaining 27 firms were judged capable of generating carload business and were interviewed by the RSPO Project Team. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 27 firms interviewed, one firm stated that it had never used the railroad and had no intention of using it in the future; two firms, which only moved to the area after railroad service was discontinued in 1972, advised that they could possibly use it in the future; nine firms indicated that they have used the line in the past (between 1952 and 1972) but have no intentions of using it in the future. The remaining 15 firms could be considered as potential rail patrons if service on the line were restored. Eleven of the 15 potential rail patrons either are located in Stewartstown or could be expected to use the Stewartstown Railroad. Only four firms are actually located along USRA Line No. 145.

Of the 15 potential rail patrons, seven state that they were not contemplating any future expansion of their operations; five claimed that, although they did not contemplate any future plant expansion, sales were expected to rise; one recently added a showroom and doubled the size of its store; one expected to increase its storage facilities; and one is planning to build a new 200,000 square foot distribution center if rail service is restored.

Twenty-three former rail patrons presented the RSPO Project Team with information concerning their alternate shipping arrangements. Fifteen of the firms have shifted traffic to other railheads in the general area, using motor carriage either for the first or last segment of the journey. Three firms have totally abandoned rail service, and five firms are currently not using rail but may use it again in the future.

Field investigations by the RSPO Project Team revealed the following basic facts about this line: (1) The line has a limited number of potential rail patrons and commodities; (2) most of the potential rail patrons are located in and around Stewartstown; (3) the line generates primarily terminating traffic; (4) with but few exceptions, appreciable business expansion by potential rail users is not projected for the immediate future; (5) a number of firms have already successfully shifted traffic to other modes or railheads; (6) the area lacks any major rail-oriented industries; (7) there is no evidence of any industrial planning or development along the entire line from York to the Pennsylvania-Maryland State Border; however, there is some industrial development along the Stewartstown Railroad; (8) sewage treatment plants in the area have restrictions on the kinds of industrial waste they will handle and these restrictions serve as an impediment to the location of large industrial plants; (9) future rail-oriented industrial development along this line would also be difficult because of the terrain and flooding problems; (10) the railroad plant is deteriorated; (11) current potential rail users would simply be unable to support a viable railroad operation; (12) a number of former users of this line have either gone out of business or relocated since the closure of the line in 1972; (13) future traffic projections by various individuals were neither realistic nor substantiated; (14) currently, the line cannot become economically viable without the inclusion of overhead traffic which is, of course, non-captive to this line; and (15) because of certain rail operation difficulties (curvatures; grades; susceptibility to flooding and washouts; and track configurations in the Baltimore area) along the line, it is doubtful whether USRA Line No. 145 can handle large volumes of traffic economically.

CONCLUSIONS

At this time, and under the present conditions, USRA Line No. 145 does not have sufficient available or potential rail users in its vicinity to economically justify the resumption of service on the line. However, retention of the right-of-way may be desirable in view of the interest expressed by the Commonwealth of Pennsylvania for its retention as a "back-up" route for the Northeast Corridor. Moreover, the line from New Freedom to Stewartstown is not totally without economic viability. The following actions might be purused to enhance the prospects for resumption of service over the Pennsylvania portion of the line:

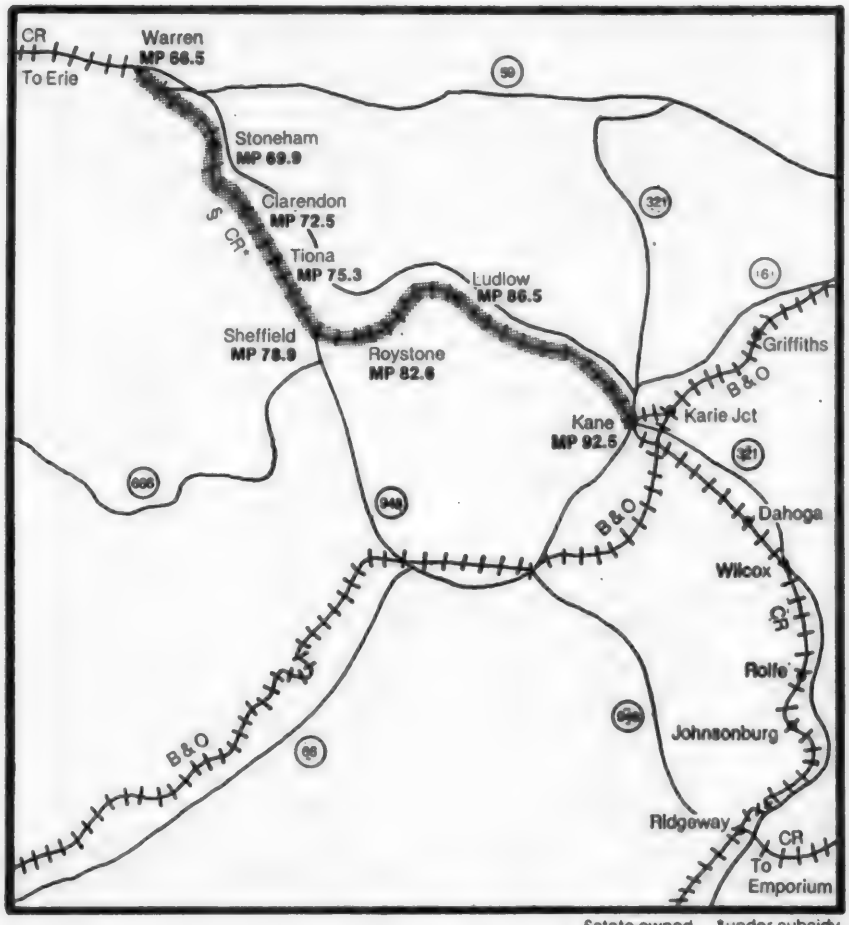
The option of operating this line as a short line railroad owned by an independent and/or rail patron operator should be considered. It should be determined whether the new operator could attempt to renegotiate rates based on the cars being terminated at York and could assess patrons on the line a flat charge for handling their traffic between York and their siding or the nearest team track. However, due to extensive damages inflicted by Hurricane Agnes in 1972, the line is presently inoperable, and before this approach could be implemented, the line would have to be rehabilitated to at least FRA Class I track standards.

The future viability of the line, after rehabilitation might be improved by upgrading team track facilities along the line and promoting their use.

USRA Line No. 252: Emporium Secondary Track. The Emporium Secondary Track, formerly part of the Pennsylvania Railroad, extends eastward from Erie (milepost 0.0) through Warren (milepost 66.5), Stoneham (milepost 69.9), Clarendon (milepost 72.5), Tiona (milepost 75.3), Sheffield (milepost 78.9), Roystone (milepost 82.6), Ludlow (milepost 85.5), Kane (milepost 94.7) and Ridgeway (milepost 117.9) to Emporium (milepost 150.0), a distance of 150.0 miles. The RSPO analyzed only that portion of the line from Warren (milepost 66.5) to Kane (milepost 92.5), a distance of 26.0 miles. This portion of the Emporium Secondary Track is being operated under subsidy by Conrail. At Kane the line connects with the Chessie System.

The Commonwealth has purchased the Warren to Kane section of the Emporium Secondary Track and is interested in its use by Conrail as a portion of a through route between Erie and the Warren oil fields and Eastern Pennsylvania.

Figure 2: USRA Line No. 252



The Warren to Kane segment serves portions of both McKean and Warren Counties.

The Emporium Secondary Track serves an area of the State which is extremely mountainous and is characterized by a mixed economy of agriculture and industry. Extensive petroleum deposits are found in this portion of the State, and some industry has developed around that resource. Such farming as takes place is either specialized dairy farming or general farming emphasizing truck crops. Because of the topography, there is not extensive urbanization in any of the Counties served by the branch line.

The 1960 and 1970 Census of Population indicate that neither of the Counties experienced significant population growth over the past two decades. Indeed, McKean County experienced a decline. Warren County saw population increase by 6.8 percent between 1950 and 1960, strongly influenced by net out-migration of 4.5 percent. Between 1960 and 1970, population increased by only 4.6 percent, again partly because of out-migration. The 1970 population was 47,682 persons for the County; only 27.3 percent were classified as urban. McKean County, in contrast, showed a decline of 3.7 percent in population between 1950 and 1960, largely because of net out-migration of 14.9 percent. Because of the same phenomenon, between 1960 and 1970, population declined by 4.8 percent. The 1970 population was 51,915 persons; 39.5 percent were classified as urban.

According to the 1970 Census, Warren County had a labor force of 18,064 persons, with an unemployment rate at that time of 3.4 percent. Analysis of employment distribution showed 39.1 percent of County workers in manufacturing, 19.8 percent in trade, and 16.8 percent in government activities. Data from County Business Patterns: 1974 provide a better view of Warren County employment. In 1974, 229 workers in the County were employed in the construction sector. A total of 6,144 were employed in manufacturing, mostly in primary metals, fabricated metals, and petroleum and coal. Machinery and electric equipment also supported a significant number of workers. Lumbering employed 262. Wholesale and retail trade in the county employed slightly more than 3,300 workers, and the service sector gave jobs to 1,560.

McKean County had a 1970 labor force of 20,665 persons with an unemployment rate of 5.5 percent. Analysis of job distribution showed 41.0 percent of workers in manufacturing, 16.9 percent in trade, 11.1 percent in government, and 5.9 percent in services. Data in County Business Patterns: 1974 provide a more detailed picture of employment. At that time, 582 persons were employed in mining, and 348 in construction. Manufacturing provided jobs for 8,250 persons mostly in petroleum and coal mining, fabricated metal production, electrical equipment manufacture, and stone, clay, and glass manufacturing. Food and food products and lumbering also provided significant employment. In the non-manufacturing sectors, wholesale and retail trade employed 2,481 workers, and the service sector employed 1,927.

The overall picture presented by the Census and County Business Patterns data is that of a somewhat diversified non-agricultural economy in the area, dominated by heavy industry. The electrical equipment industry and industries related to petroleum, coal, and iron ore loom large in the employment picture.

Of the towns in and around the branch line, only Warren was analyzed in the 1970 Census. Warren had a population of 12,998 persons in 1970 and an unemployment rate of 3.3 percent. Slightly more than one-third of its workers were employed in manufacturing, while 47.9 percent of all workers were classified as white collar.

Census data thus shows the area around the branch line to have experienced limited growth over the past two decades or to have suffered declines in important economic indicators. The dominance of heavy industry in the manufacturing sector, particularly industry susceptible to cyclical influences, suggests that the area will not experience a stable growth pattern over the near future.

The Commonwealth of Pennsylvania, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 26 firms that were alleged to have used the Warren-Kane line. Of these 26 firms, local officials and rail patrons had no knowledge of the existence of two firms, and 14 firms were served by the non-subsidized Conrail portion of the Emporium Secondary Track. However, two of these 14 firms used USRA Line No. 252 for their overhead traffic shipments. The remaining ten firms were judged capable of generating carload business and were interviewed by the RSPO Project Team. The other businesses in these

towns are almost exclusively small commercial and retail establishments that rely on motor carriers to handle their predominantly small shipments.

Of the ten firms interviewed, one firm stated that it had never used the railroad and had no intention of using it in the future; two firms indicated that they had used the line in the past (between 1948 and 1976) but have no intention of using it in the future. The remaining seven rail patrons are active users of the line. Only one of the seven active users planned any expansion (construction of a new warehouse and tripling the size of their business).

Field investigations by the RSPO Project Team revealed the following basic facts about this line: (1) the largest amount of traffic that moves over the line is primarily overhead traffic; (2) the line provides the most direct route for the overhead traffic of two rail patrons, Hammermill Paper Company of Erie and United Refining Company of Warren; (3) the line has a limited number of rail patrons and commodities; (4) the line generates primarily originating traffic; (5) traffic volume has declined; (6) in 1973, Penn Central received 80 percent of the total revenue generated by the line; (7) the line segment between milepost 66.5 and milepost 92.5 lacks any major rail-oriented industries; (8) nine of the firms interviewed directly have no appreciable business expansion plans; (9) current potential rail users between milepost 66.5 and milepost 92.5 would simply be unable to support a viable railroad operation; (10) currently, the line cannot become economically viable without the inclusion of overhead traffic which is, of course, non-captive to this line; (11) future rail-oriented industrial development along this line would be difficult because of the terrain; (12) there was no evidence of any industrial planning or development along the line between milepost 66.5 and milepost 92.5; (13) a certain amount of traffic generated by this segment is short-haul business; and (14) certain unusual rail maintenance and operational costs are possible because of the segment's susceptibility to rock slides, flooding and washouts.

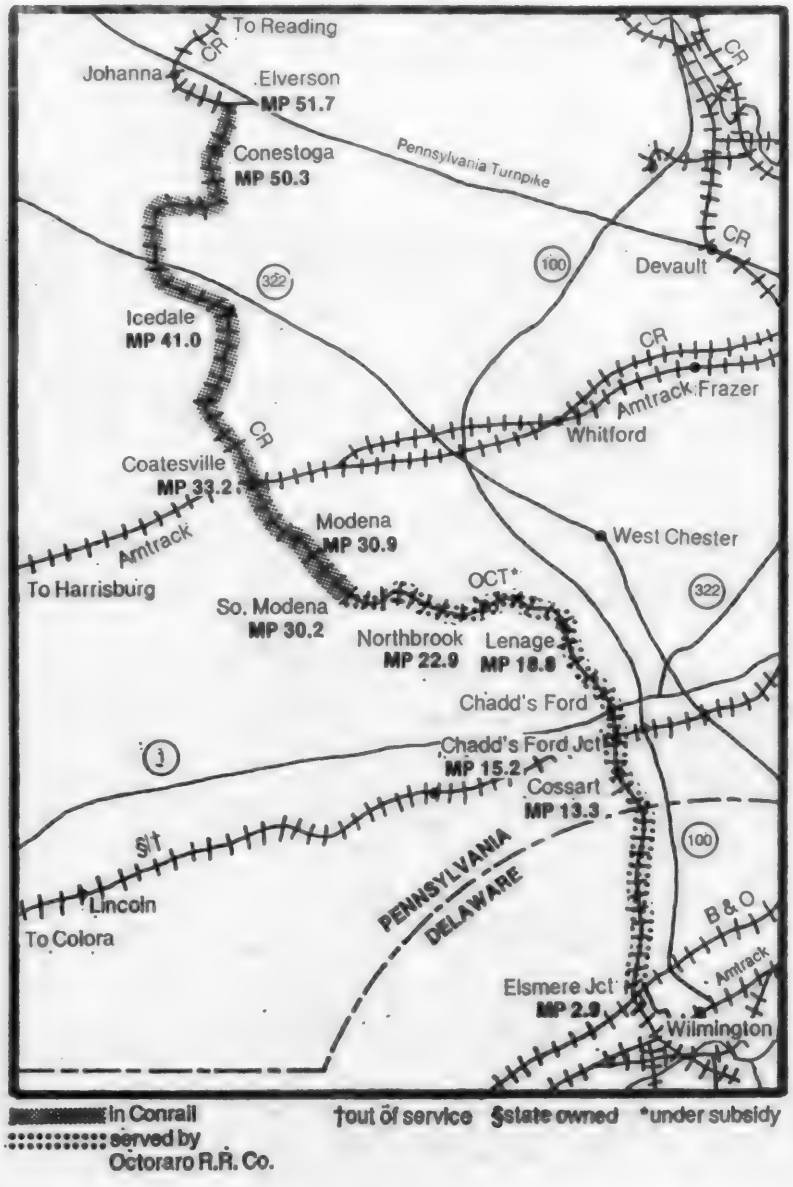
For the period May through November, 1976, actual train operations over this portion of the line generated a net positive contribution of $12,082, caused primarily as a result of the substantial volume of overhead traffic. For eleven months of operation (April, 1976 through February, 1977) the line generated 108 carloads of traffic; on and annualized basis this indicates that traffic levels have fallen to 40.0 percent of 1973 levels.

Conclusions

At this time, under present conditions, USRA Line No. 252 between Warren and Kane does not appear to be a likely candidate for non-subsidized operation. However, the line is not totally without economic viability because of the overhead traffic moved over the entire Emporium Secondary Track. Moreover, rehabilitation of the line would reduce the time that it takes to service it and thus reduce the cost of its operation. In addition, the viability of the line might be improved by upgrading team track facilities and promoting their use.

USRA Line No. 907/939: Wilmington and Northern Branch. The Wilmington and Northern Branch, formerly part of the Reading Company system extends northwestward from Wilmington, Delaware (milepost 0.0) through Chadds Ford (milepost 15.2), Pocopson (milepost 18.0), Lenape (milepost 18.8), Wawaset (milepost 20.8), Northbrook (milepost 22.9), Embreeville (milepost 25.9) and South Modena (milepost 30.2) to W&N Junction (milepost 64.7), a distance of 64.7 miles. The RSPO analyzed only that portion of the Wilmington and Northern Branch from the Pennsylvania-Delaware State Border (milepost 12.7) to South Modena (milepost 30.2), a distance of 17.5 miles. This portion the Wilmington and Northern Branch is being operated under subsidy by the Octoraro Railroad. The line connects at Souht Modena with Conrail and at Elsmere Junction, near Wilmington, with the Chessie System. The line crosses the Octoraro Branch, USRA Line No. 142, at Chadds Ford, where a connection is planned between the two lines. The line is located in Chester County. The Commonwealth of Pennsylvania has expressed an interest in preserving this line as a "high and wide" route.

Figure 3: USRA Line No. 907/939



The Wilmington and Northern Branch serves an area of the State which has experienced considerable urban growth during the past two decades. Its economy exhibits a balanced mixture of maufacturing, services, and agriculture. Chester County is located in the extreme western portion of the Philadelphia SMSA and abuts the Reading SMSA. It is benefited from economic expansion taking place in Reading, Philadelphia, and Wilmington.

The 1960 and 1970 Census of Population indicate that Chester County has experienced significant population growth during the past two decades. Between 1950 and 1960, population in the County increased by 32.3 percent, aided by net in-migration of 16.4 percent, largely from nearby urban areas. During the succeeding 1960–1970 decade, population grew by 31.9 percent, with a 20 percent net in-migration. The total 1970 population was reported to be 278,-311 persons. A reflection of the increasing urabnization of the County was the fact that 45 percent of the 1970 population was classified as urban.

The 1970 labor force in Chester County was reported to be 113,043 persons, of whom 2.1 percent were then unemployed. Analysis of job distribution shows that 35.1 percent of County workers were employed in manufacturing, 16.7 percent were employed in trade, 12.9 percent in government, and 6.1 percent in services. Only 4.9 percent were employed in the construction industry.

Census data indicate that the rural nonfarm population in Chester County in 1970 was 144,539 persons. Farm population was only 8,637, a 30.9 percent decline since 1960. There were 2,016 farms in the County in 1970, averaging 118 acres in size. Average farm revenue in Chester County was $41,027, as compared with a State average of only $24,-062. A total of 44.6 percent of all County Farms had sales annually between $10,-000 and $40,000. These data strongly indicate a thriving agricultural sector with a high average farm income. Overstrong economic growth around the all, the data for the County indicate branch line over the past two decades. Both manufacturing activity and agricultural activity have expanded significantly, while service and other support have grown concomitantly. This pattern of strong, balanced growth can be expected to continue into the near future.

Geographically, USRA Line No. 907/939 is located on the edge of the Piedmont Plateau, and is characterized by hilly to slightly mountainous topography.

The Commonwealth of Pennsylvania, local rail patrons and information received from the Reading Company during the restructuring in 1974 provided the RSPO Project Team with a list of eight firms that were alleged to have used the Wilmington and Northern Branch. Local rail patrons and officials had no knowledge of the existence of one of these firms. Two other firms were not interviewed because of the size and nature of their businesses. The remaining five firms were judged capable of generating carload business and were interviewed. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely on motor carriers to handle their predominantly small shipments.

Of the five firms interviewed, three stated that they had last used the railroad prior to 1970 and had no intention of using it in the future. One firm stated that they were an active rail user until 1973 but had no intention of using the line in the future; this firm was trying to sell its business. The single remaining firm is an active rail patron and indicated that it was undergoing an expansion.

Field investigations by the RSPO Project Team revealed the following basic facts about this line: (1) The area lacks any major rail-oriented industries; (2) industrial development along the line is severely restricted by the high cost of land and the lack of suitable building sites because of possible flooding problems; (3) there is no evidence of industrial planning or development along the entire line; (4) currently the line cannot become economically viable without the inclusion of overhead traffic which is, of course, non-captive to this line; (5) the current potential rail users would simply be unable to support a viable railroad operation; (6) a number of firms have already successfully shifted traffic to other modes or railheads; (7) the line presently generates primarily originating traffic; and (8) the line has a limited number of rail patrons and commodities.

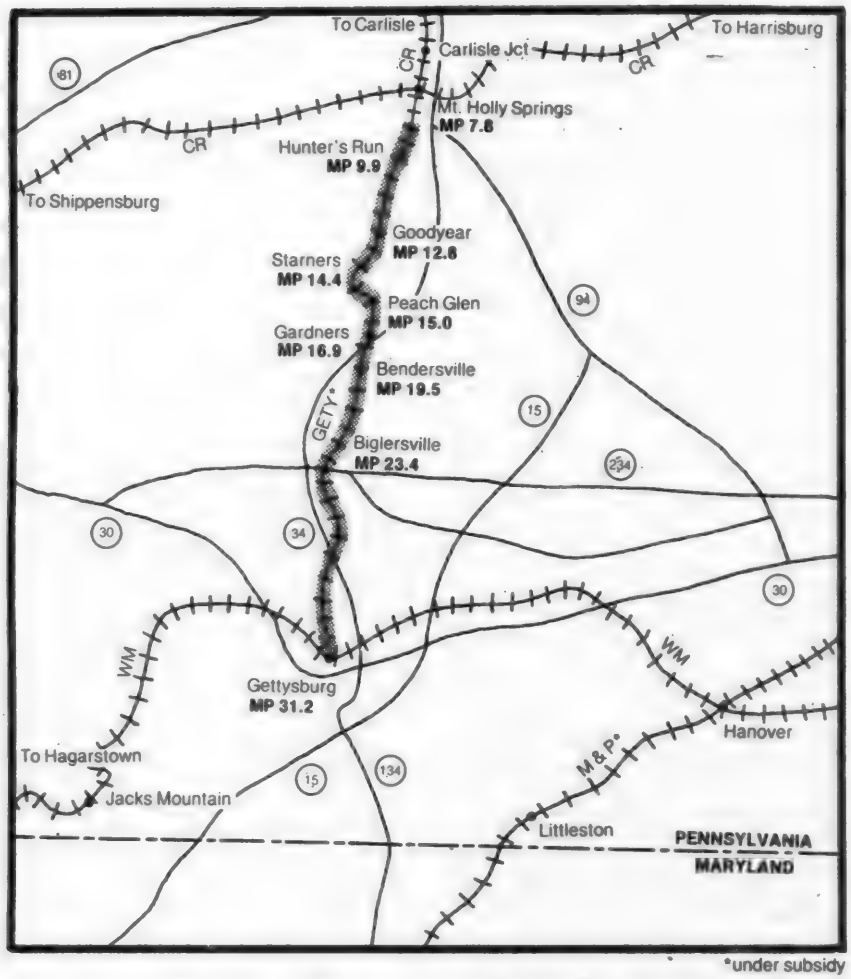
Conrail operated this line under subsidy until January 15, 1977. For the period May through November, 1976, actual train operations over the Wilmington and Northern Branch resulted in an operating deficit of $2,506. For nine months of operation (April through December) the line generated 10 carloads of freight. On an annualized basis this indicated that traffic levels have increased 33 percent over their 1973 level. Cost and revenue data is not currently available for the actual operation of the line by the Octoraro Railroad for the period since January 15, 1977.

Conclusions

At this time, and under the present conditions, USRA Line No. 907/939 does not appear to be a likely candidate for nonsubsidized operation. However, once a planned connection is established with USRA Line No. 142 at Chadds Ford Junction, and if the Octoraro Railroad is able to open an interchange of rail cars with the Chessie System at Elsmere Junction, the cost/revenue relationship may improve considerably. Continued service by the Octoraro Railroad appears to be the most cost-efficient method of operation presently available. However, the viability of the line could probably be improved by upgrading team track facilities and promoting their use.

USRA Line No. 912: Gettysburg and Harrisburg Branch. The Gettysburg and Harrisburg Branch, formerly part of the Reading Company system, extends southward from Gettysburg Junction (mile-post 0.0), through Mt. Holly Springs (milepost 7.84), Hunters Run (milepost 9.9), Goodyear (milepost 12.8), Starners (milepost 14.4), Peach Glen (milepost 15.0), Gardners (milepost 16.9), Bendersville (milepost 19.5) and Biglerville (milepost 23.4) to Gettysburg (milepost 31.2), a distance of 31.2 miles. The RSPO analyzed that portion of the line from Mt. Holly Springs (milepost 7.4) to Gettysburg (milepost 32.2), a distance of 23.36 miles. This portion of the Gettysburg Branch is being operated under subsidy by the Gettysburg Railroad. The line is located in both Adams and Cumberland Counties. It connects with Conrail at Mt. Holly Springs and with Western Maryland's Hagerstown to Baltimore line at Gettysburg.

Figure 4: USRA Line No. 912



*under subsidy

The Gettysburg and Harrisburg Branch serves an area of the State which has experienced significant urbanization over the past two decades. Adams County is in the western section of the York economic area. It abuts Cumberland County to the north, which is located in the Harrisburg SMSA. Both Counties have towns and cities of significant size and many small towns servicing surrounding agricultural and forest areas. In those parts of both Counties where agriculture is possible, general farming and dairy farming are the rule. In Adams County, particularly in the more mountainous reaches of the County, fruit growing is common.

The 1960 and 1970 Census of Population show that both Adams County and Cumberland County experienced significant population growth over the past two decades. Between 1950 and 1960, population in Adams County increased by 17.4 percent, aided by 1.7 percent net in-migration. Growth during the succeeding decade was 9.7 percent, with net outmigration of 1.4 percent. The 1970 population in Adams County was 56,937 persons, of whom 23 percent were classified as urban. In Cumberland County, population increased between 1950 and 1960 by 32.1 percent, including 15.7 percent net in-migration. During the 1960–1970 decade, population growth was 26.7 percent, again including 15.8 percent inmigration. The 1970 population for the County was 158,177 persons, of whom 66.2 percent were classified as urban.

Adams County had a 1970 labor force of 23,555 of whom 3.1 percent were then unemployed. Analysis of job distribution showed that manufacturing provided 36.0 percent of jobs in the County, while trade provided jobs for another 17.1 percent of County workers. The service sector employed only 5.6 percent of workers, while construction, reflecting the heavy population growth, employed 6.8 percent. Government employees amounted to 10.7 percent of the whole.

Cumberland County had a 1970 labor force of 68,223 persons, of whom 2.1 percent were then unemployed. Government was the largest employer in the County, employing 22.0 percent of all workers. Manufacturing employed 20.4 percent, while trade employed 20.8 percent. The service sector accounted for only 5.9 percent of all workers.

Overall the Census data show a pattern of growth over the past two decades in both Counties. Agricultural activity was strong, despite a declining farm population. Manufacturing showed solid if modest increase and is not dominated by a single industry. This balanced modest growth can be expected to continue over the near future.

Geographically, the branch line traverses the southern mountain portion of the Piedmont Plateau which is a relatively hilly or mountainous region with forests occupying a significant part of the land area.

The Commonwealth of Pennsylvania, the Gettysburg Area Chamber of Commerce, local rail patrons, and information received from the Reading Company during the railroad restructuring process provided the RSPO Project Team with a list of 47 firms that were alleged to have used that portion of the Gettysburg and Harrisburg Branch under study by the RSPO. Of these 47 firms, five were located on a non-subsidized Conrail line, five were listed twice, three firms were no longer in business and two firms were unknown to local officials and rail patrons.

The remaining 32 firms were judged capable of generating carload business and were interviewed. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 32 firms interviewed, two firms stated that they had never used rail service and had no intention of using it in the future. Five firms indicated that although they had used rail service in the past, they had no intention of using it in the future. Two other firms indicated that they had used the line previously but were uncertain of any future use. Three firms were found to be users of the Western Maryland Railroad. The remaining 20 rail patrons are active users of the line.

Of these 20 firms, 16 indicated that they received or shipped full carloads of freight. The other four firms indicated

that on occasion they would share a carload of freight between themselves. Nine of the firms indicated that some form of business expansion was currently underway or contemplated. The remaining 11 firms expressed no expansion plans.

Field investigations by the RSPO Project Team revealed the following basic facts about this line: (1) The line generates primarily terminating traffic; (2) there are relatively few patrons that generate the majority of the traffic; (3) traffic volume has increased from the 1973 levels; (4) a number of rail patrons are planning expansions of their facilities; (5) overhead traffic is currently moving over the line; (6) there is no evidence of any industrial planning or development along the line; (7) future rail-oriented industrial development along portions of this line would be difficult because of the terrain; (8) the line has certain rail operation difficulties, e.g., grades, susceptibility to flooding and washouts; and (9) the line has a limited number of rail patrons.

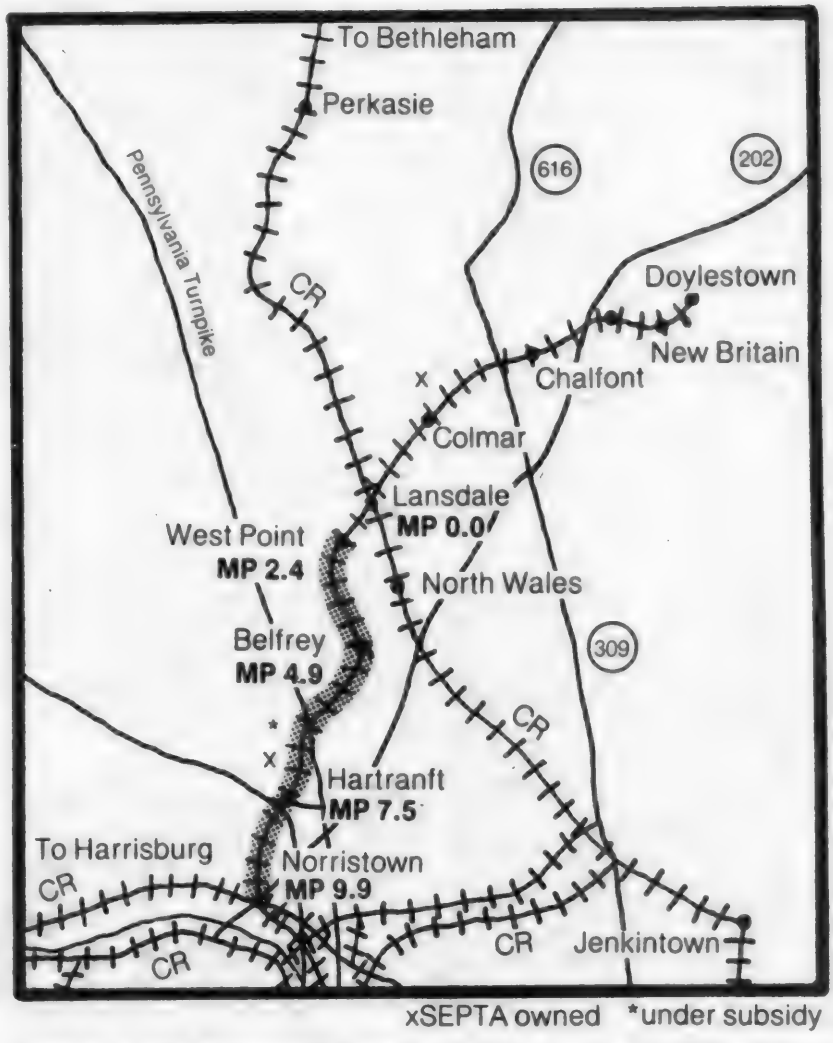
Conrail's operation of this line between May and September, 1976, resulted in an operating deficit of 429,222. For six months of operation (April through September), the line generated 912 carloads of freight; on an annualized basis this indicates that traffic levels have increased to 114.7 percent of their 1973 levels. The Gettysburg Railroad, which has operated the line since October 15, 1976, estimates that after one year of operation the line will generate a net positive contribution of $99,240. Overhead traffic moving over the line between Mt. Holly Springs and Gettysburg is included in the estimated revenue figure.

Conclusions

At this time, and under the present conditions, USRA Line No. 912 appears to be a possible candidate for non-subsidized operation. Continued service by the Gettysburg Railroad appears to be the most cost-efficient method of operation currently available. However, the viability of the line could be further enhanced by upgrading the team track facilities at Gardners, Bendersville, Biglerville and Gettysburg, and promoting their use.

USRA Line No. 935: Stony Creek Branch. The Stony Creek Branch, formerly part of the Reading Company system, extends southwesterly from Lansdale (milepost 0.0) through West Point (milepost 2.4), Belfry (milepost 4.9) and Hartranft (milepost 7.5) to Norristown (milepost 9.9), a distance of 9.9 miles. The line is owned by the Southeastern Pennsylvania Transportation Authority (SEPTA) and is operated under subsidy by Conrail. RSPO analyzed that portion of the line that extends from slightly south of Lansdale (milepost 1.5) to slightly north of Norristown (milepost 9.0), a distance of 7.5 miles. The line is located in Montgomry County. The Commonwealth of Pennsylvania has expressed an interest in preserving this line as a "high and wide" route.

Figure 5: USRA Line No. 935



The Stony Creek Branch serves a portion of the State which is predominantly urban in character, although there is some agricultural activity. Montgomery County is situated in the northwestern portion of the Philadelphia SMSA, and is contiguous to the Reading SMSA to the north. The County has several towns of significant size, including the termini of the line, Norristown and Lansdale, which were of sufficient size to be analyzed in the 1970 Census of Population. Most towns in the County serve as modest-size trade and distribution centers for surrounding agricultural areas. Generalized farming is the rule in Montgomery County, although dairying and vegetable production produce significant amounts of farm revenue. The County is located on the eastern edge of the Piedmont Plateau, and is distinguished by gently rolling to hilly topography.

Data from the 1960 and 1970 Census of Population emphasize the increasingly urbanized nature of Montgomery County. Over the past two decades, the County has experienced significant

growth. Between 1950 and 1960, population in Montgomery County grew by 46.3 percent, including 31.0 percent net in-migration. During the 1960–1970 decade, population grew again by 20.8 percent, aided by net in-migration of 11.6 percent. The total 1970 population for the County was 623,799 persons, of whom 81.4 percent were clasified as urban.

The 1970 labor force in Montgomery County was 263,318, of whom only 2.4 percent were unemployed at the time. The County's location in the Philadelphia SMSA is evident in the fact that 34.2 percent of county workers were employed in manufacturing. Another 20.1 percent were employed in wholesale and retail trade, 6.7 percent in services, and 10.1 percent in government activities. Construction provided jobs for another 5.0 percent. Overall, the Census and related data show a pattern of strong and balanced growth for Montgomery County, and for the region in and around the branch line. In spite of the County's proximity to Philadelphia, its agricultural sector remains strong as its manufacturing and service activities increase in size.

The Commonwealth of Pennsylvania, The Lansdale Chamber of Commerce, the Norristown Chamber of Commerce, local rail patrons and information received from the Reading Company during the rail restructuring in 1974 provided the RSPO Project Team with a list of 21 firms which were alleged to have used the Stony Creek Branch. Of these 21 firms, five were not interviewed because of their size, type of business or type of service rendered and two could not be located. The remaining 14 firms were judged capable of generating carload business and were interviewed by the RSPO Project Team. The other businesses in the service area are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 14 firms interviewed, four stated that although they had utilized rail service previously, they had no intention of using it again in the future. Three firms indicated that although they had not utilized rail service previously they might use it in the future. One firm that had occasionally used the line previously indicated that any future use would be on an emergency basis only and one firm was using the line only as a convenient storage site for a specialized rail car. The remaining five firms were active rail users.

Field investigation by the RSPO Project Team revealed the following basic facts about this line: (1) the line generates primarily terminating traffic; (2) the Reading Company received only 18.5 percent of the total line revenue in 1973; (3) carload traffic has declined since 1973; (4) four commodities constitute more than 70 percent of the total traffic; (5) only one current user expressed expansion plans that might result in increased use of rail service; (6) currently planned industrial development is limited to a single limited area and no construction date has been established; (7) development of the remaining available area along the right-of-way is restricted by the existence of numerous residential areas, by the existence of a flood plain and by lack of existing or near-term extension of sewer service; (8) the line had previously carried a substantial volume of overhead traffic including high and wide shipments; a limited number of high and wide carloads are still being moved over the branch; (9) a number of farms have already successfully shifted traffic to other modes or railheads; and (10) the line has a limited number of rail patrons.

For the period May through November, 1976, actual train operations by Conrail over the Stony Creek Branch resulted in an operating deficit of $1,234. For eleven months of operation (April through February) the line generated 129 carloads of freight; on an annualized basis this indicated that traffic has declined to 90 percent of the 1973 levels.

Conclusions

At this time, and under the present conditions, USRA Line No. 935 does not appear to be a likely candidate for immediate non-subsidized operation. However, the line is not totally without economic viability, and a number of actions could be pursued to enhance the prospects for its continued operation and to improve its viability. The following courses of action should be considered:

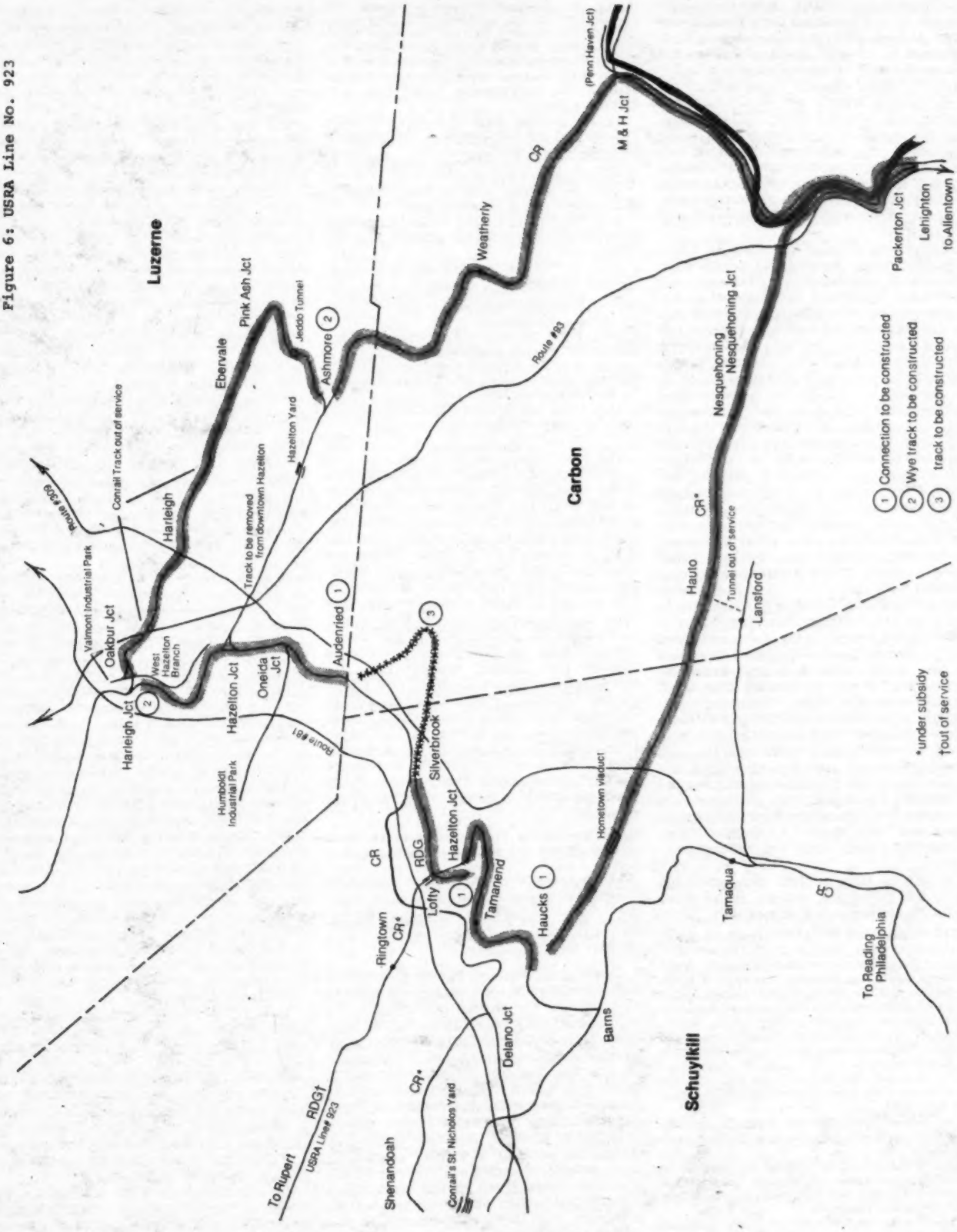
(1) The viability of the line might be improved by upgrading and promoting the use of team track facilities along the line. This might attract more traffic to the line.

(2) The Commonwealth should consider the resumption of coal deliveries by rail to the Norristown State Hospital. Information received by the RSPO Project Team indicates that this could increase traffic on the line by 250–300 carloads annually.

USRA Line No. 923: Catawissa Branch and USRA Line No. 1009: Nesquehoning Valley Branch. The Catawissa Branch, formerly part of the Reading Company System extends northwest from Barns, Pennsylvania (milepost 103.0) through Lofty (milepost 110.5), and Rupert (milepost 147.1) to Newberry Junction, Pennsylvania (milepost 202.8). The RSPO analyzed only that portion of the Catawissa Branch that extends from the vicinity of Haucks to the vicinity of Lofty, a distance of approximately 5.0 miles. Although there are no actual rail patrons on this portion of the Catawissa Branch, the Commonwealth included this line in its request to the RSPO since the line would form part of the proposed "Anthracite Through-Rail Loop," which will be discussed in detail later in this report. USRA Line No. 923 is currently being served by Conrail under the subsidy program.

The Nesquehoning Valley Branch, formerly part of the Lehigh Valley Railroad, extends westward from Packerton Junction, Pennsylvania (milepost 0.0) through Nesquehoning (milepost 5.9), Hauto (milepost 10.0), Hometown (near milepost 16.0), and Haucks (milepost 18.0) to Tamanend, Pennsylvania (milepost 19.2). The line between milepost 18.0 (near Haucks) and milepost 19.2 (Tamanend) is now out of service. The RSPO analyzed the entire Nesquehoning Valley Branch, which is currently being operated under subsidy by Conrail. USRA Line Numbers 923 and 1009 are located solely in Carbon and Schuylkill Counties; however, the proposed "Anthracite Through-Rail Loop" line would be located in Carbon, Schuylkill and Luzerne County.

Figure 6: USRA Line No. 923



Although the RSPO, under section 205 (e) (2) of the Regional Rail Reorganization Act of 1973, as amended, is only directed to "* * * prepare and publish an evaluation of the economic viability of * * * light-density lines within [a] * * * State *which are not* designated for inclusion in the Final System Plan," the Commonwealth of Pennsylvania also requested the RSPO to examine the Pennsylvania Department of Transportation's proposal for serving Hazleton, Pennsylvania, via portions of the Catawissa Branch and the Nesquehoning Valley Branch.

Anthracite through-rail loop. In an effort to remove the railroad tracks from the streets in downtown Hazleton and to insure continued rail service to patrons on the Nesquehoning Branch and in the Hazleton area, Pennsylvania's Office of State Planning and Development, the Pennsylvania Department of Transportation, the Greater Hazleton Chamber of Commerce, and others, recommended development of a so-called "Anthracite Through-Rail Loop." Under this concept Conrail would operate trains from and to Allentown, Pennsylvania in a looping continuous rail traffic flow pattern (see Figure 6). Trains out of Allentown would enter the "loop" at Packerton Junction, travel west along the Nesquehoning Branch (USRA Line No. 1009) to Haucks in Schuykill County and continue north on a portion of the Catawissa Branch (USRA Line No. 923) to the Lofty area. The train would continue northeast from Lofty to Silver Brook Junction, where it would move over new tracks to be placed on the former Central Railroad Company of New Jersey road bed, and thence to Audenried. From Audenried the train would continue north through both Oneida and Hazleton Junctions to Harleigh Junction. From Harleigh Junction the train would then move east through Ebervale, Pink Ash Junction and the Jeddo Tunnel and then south to Ashmore Junction. From Ashmore Junction the train would descend the Weatherly grade southeast to M&H Junction (Penn Haven Junction), and return to Allentown.

In order to complete the proposed loop, the following actions would have to be undertaken (see Figure 6):

(1) USRA Line No. 1009 should be rehabilitated to FRA Class II track standards.

(2) The high Hometown Viaduct, built over 40 years ago, should undergo a complete inspection by qualified bridge engineers to determine the condition of the steel work and footings. According to the Pennsylvania Public Utility Commission, 600 bridge ties will also have to be renewed within 5 years.

(3) A connection should be built in the area around Haucks to join USRA Line Nos. 923 and 1009.

(4) Set-off and pick-up tracks should be constructed in the Haucks area for Tamaqua traffic.

(5) The connection should be restored at Hazelton Junction (RDG) to join USRA Line No. 923 and the Old Tamaqua, Hazelton and Northern Railroad.

(6) About 16,000 feet of track between Hazleton Junction and Silver Brook must be rehabilitated to FRA Class II track standards.

(7) The right-of-way must be acquired from Silver Brook to Audenried (the roadbed of the former Central Railroad Company of New Jersey) and approximately 30,670 feet of track must be constructed over it.

(8) A connection must be built at Audenried to join the proposed "loop" track with Conrail's line.

(9) Set-off and pick-up tracks should be constructed in the Humbolt and Valmont Industrial Park area.

(10) A connecting "wye" track must be built at Harleigh Junction.

(11) Set-off and pick-up track should be constructed in the Ebervale area.

(12) The Jeddo Tunnel must be modified to accomodate the passage of high cube rail cars.

(13) A connecting "wye" track must be built at Ashmore.

(14) Conrail's main line between Audenried and Ashmore should be rehabilitated to FRA Class II standards.

(15) Land for right-of-way must be acquired for all new construction.

(16) Automatic flasher and/or gate protections must be provided at numerous public vehicular crossings at grade.

(17) Labor agreements must be negotiated to cover proposed changes.

Conclusions

At this time, under present conditions, it does not appear that implementation of the proposed "Anthracite Through-Rail Loop" concept will improve or reduce the costs of rail operations; nor does it represent the only alternative rail operational pattern available. While the actual cost figures for completing the proposed "loop" are somewhat elusive, it has been estimated that it will cost at least $3 million. One of the stated objectives of the "loop" concept was to remove the railroad tracks from the streets of downtown Hazleton. An alternative approach could also accomplish this objective with a substantially lower rehabilitation cost while at the same time continuing rail service to patrons in the Valmont and Humbodlt Industrial Parks via the Jeddo Tunnel route. This alternative would require the following actions:

(1) The Jeddo Tunnel must be modified to accomodate the passage of high cube rail cars.

(2) A connecting "wye" track should be built at Harleigh Junction.

(3) The entire line between Conrail's Hazleton shop area and the Humboldt Industrial Park should be rehabilitated to FRA Class II track standards.

It should be noted either alternative will increase the operating expenses of Conrail over the present operation.

Nesquehoning Valley Branch. The Nesquehoning Valley Branch serves a portion of the State which lies in the midst of the Appalachian Mountain chain. It exhibits a mixed industrial and agricultural economy with generalized farming predominating in those areas where farming is possible. A major portion of industrial activity is closely related to iron, petroleum, and coal. Neither of the Counties through which the branch line runs is located in an urbanized region, although both abut at least one of the SMSA's in the area.

According to the 1960 and 1970 Census of Population, both of the Counties served by the branch line experienced population decline over the past two decades. Carbon County showed a decline of 8.1 percent in population between 1950 and 1960, caused primarily by net out-migration of 15.3 percent. During the 1960–1970 decade, the County lost 4.4 percent of its population, again largely because of high out-migration. The 1970 population in the County was 50,573, with a median age of 35.6. This latter figure is considerably above the state median age of 31 years, a fact reflected by the 13 percent of County population age 65 or more. At the time of the 1970 Census, 63.8 percent of Carbon County population was classified as urban. Schuylkill County experienced an even more significant decline in population over the past two decades. Between 1950 and 1960, County population dropped by 13.7 percent, largely because of net out-migration of 19.23 percent. During the 1960–1970 decade, population dropped by another 7.5 percent, again mainly because of out-migration. The 1970 population in Schuylkill County was 160,089 persons, with a high median age of 37.4 years. Not surprisingly, 13.1 percent of County residents were age 65 or more. At the time of the census, 51.9 percent of Schuylkill County residents were classified as urban. Population data thus show a relatively urbanized area, suffering from population decline.

The 1970 labor force in Carbon County was 20,827, with an unemployment rate of 2.7 percent. Manufacturing accounted for the largest segment of jobs in the County, providing 51.9 percent. Trade generated another 12.1 percent, while services occupied only 4.2 percent of the labor force. Government provided jobs for 10.3 percent. The employment picture of Carbon County is thus one of a relatively concentrated economy, dominated by a single manufacturing sector, with relatively weak service and trade areas.

The 1970 labor force in Schuylkill County was 64,290 persons, with unemployment then at 3.8 percent of the labor force. Manufacturing provided jobs for the bulk of County workers, generating 45.5 percent of all employment. Another 14.7 percent were employed in trade, 4.5 percent in services, and 7.1 percent in construction. Like Carbon County, Schuylkill County showed a relatively concentrated economy, dominated by a single manufacturing industry, although its trade and services sector was somewhat more diversified.

Data from the 1970 Census reveals that both Carbon and Schuylkill Counties were relatively poor, as measured by median family income.

Of the two Counties, only Schuylkill County showed significant growth in manufacturing over the 1963–1967 period.

Of the towns on the branch line, only Mahanoy City and Jim Thorpe were of sufficient size in 1970 to merit an analysis in the Census of Population.

Census data depict an economic area which is relatively weak, which is highly dependent on one or two major manufacturing sectors, and which has experienced little or no economic growth over the past two decades.

The Commonwealth of Pennsylvania, the Nesquehoning Branch Line Committee, the Tamaqua Area Chamber of Commerce, local rail patrons and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of ten firms that were alleged to have used the Nesquehoning Valley Branch. Of these ten firms, one firm was found to be located on another rail line, one firm was no longer in business, and local officials and rail patrons had no knowledge of the existence of another firm. The remaining seven firms were judged capable of generating carload business and were interviewed. The other businesses in the area are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

One of the seven firms interviewed stated that it never used the railroad and has no intention of using it in the future; the other six firms are active users of the line.

Field investigations by the RSPO Project Team revealed the following basic facts about this line: (1) certain future traffic projections were neither realistic nor substantiated, e.g., the dismantling of the Pennsylvania Power & Light Electric generating plant was expected to generate 600 carloads of scrap; (2) the railroad plant is badly deteriorated; (3) although there are several industrial sites adjacent to the line, no industrial development was in evidence; (4) the line has a limited number of rail patrons and commodities; (5) traffic volume has declined; (6) the line presently generates primarily terminating traffic; (7) certain unusual rail maintenance and operational costs are possible in the future as a result of the high Hometown Viaduct over the Little Schuylkill River; (8) there are no rail patrons from the Kovatch Truck Center facility (milepost 5.9) to Packerton Junction (milepost 0.0); and (9) there is recoverable coal in refuse banks adjacent to the line.

For the period May through November, 1976, actual train operations over USRA Line No. 1009 generated a net positive contribution of $23,309. However, this amount does not reflect any payment to the bankrupt estate for the return on the valuation of the property. For eleven months of operation (April–February) USRA Line No. 1009 generated 294 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 65.6 percent of 1973 levels.

Conclusions

At this time, and under the present conditions, USRA Line No. 1009 appears to be an economically marginal operation. However, the line is not totally without economic viability, and a number of actions could be pursued to enhance the prospects for its continued operation and to improve its viability. The following possible courses of action should be considered:

The possibility of a Tamaqua Conrail crew entering the line at Haucks and serving rail patrons on the Nesquehoning Valley Branch should be considered. This would permit the abandonment of approximately 5.9 miles of track between the Kovatch Truck Center facility and Packerton Junction thus reducing the costs of the line's operation. There are no rail patrons between these points. It is anticipated that it would be necessary to negotiate labor agreements as a result of the proposed operational alternative. Furthermore, it would be necessary to construct a connection at Haucks to join USRA Line No. 1009 with the Catawissa Branch (USRA Line No. 923).

Rehabilitation of this line would reduce the time that it takes to service it and thus reduce the costs of its operation.

The viability of the line could be improved by upgrading and promoting the use of team track facilities along the line.

Another option which might be considered is the option of operating the line as a short line railroad owned by an independent and/or rail patron operator. It should be determined whether it would be possible for such an operator to renegotiate rates with Conrail, based on the cars being terminated at Packerton Junction and to assess patrons on the line a flat charge for handling their traffic between Packerton Junction and their siding or the nearest team track.

Commonwealth of Pennsylvania,
Department of Transportation,
Harrisburg, Pa., May 4, 1976.

Mr. Alan Fitzwater,
Director, Rail Services Planning Office,
Interstate Commerce Commission,
Washington, D.C.

Dear Alan: In accordance with Section 205(c)(2) of the Railroad Revitalization and Regulatory Reform Act of 1976, the Commonwealth requests that the Rail Services Planning Office evaluate the economic viability of certain light density lines not designated for inclusion in ConRail.

We believe that, given proper evaluation or certain operational changes, these lines are viable.

We shall discuss each of these lines briefly below instead of supplying backup data at this time. Any support information at our disposal shall be made available, of course, as you proceed with the examination of the lines.

Line 252 Warren to Kane. This line is a portion of a through route between Erie and the Warren oil fields and eastern Pennsylvania. Thousands of cars and a twice weekly unit train of wood products desire to move over this section. Elimination of the route results in extreme circuity via Buffalo.

Upon our request USRA examined the line with the overhead traffic in mind. Their results demonstrated that it was cheaper to operate over line 252 than routing all overhead traffic through Buffalo. ConRail concurred but refused to show us their statistical analysis.

The Commonwealth has purchased the line and plans to rehabilitate it. Because of the traffic volume, the line should be operated without subsidy. Because of irrational thinking, ConRail may continue to route the traffic through Buffalo. We were unable to negotiate a solution with them. We need an impartial analysis to demonstrate the cost savings to ConRail in using Warren to Kane as a through route and as a catalyst to a finding the means of sharing these savings.

Line 145 Northern Central Branch. This branch used to be a through route between Harrisburg and Washington. The Delaware and Hudson has expressed interest in using this short route for reaching Pot Yard. The Commonwealth has purchased the portion from York to the Maryland line. North of York was transferred to ConRail. The portion from the Maryland line south to Cockeysville was not picked up.

What is needed here is an examination of the need for the D&H to reach Pot Yard in their quest to remain solvent in the face of Big ConRail. Local traffic and a 403 Amtrak route would contribute to revenue. There is good local passenger service potential on this line.

Lines 912, 935, 907/939 High and Wide Routes. Insufficient consideration was given by USRA for the protection of high/wide routings. The Commonwealth has preserved these routes thus far, but in future years, as local shippers bear an increasing financial burden in preserving routes that do not pertain to their businesses, the routes will be in jeopardy. RSPO must locate the endangered high/wide routes and determine the cost to business and society if they close.

Lines 1009 and 923 Hazleton Connection. The City of Hazleton is currently served via the old Lehigh Valley line from Penn Haven Jct. over a grade in excess of 2%. In order to serve west Hazleton industrial parks, the trains must operate through either Hazleton's downtown streets or a switchback at Valmont that is totally restrictive for through trains.

Hazleton wants the tracks removed from its streets in order for urban renewal projects to proceed. The excessive grade and Valmont switchback make the northern loop route unfeasible.

PennDOT proposed that Hazleton be served via the Nesquehoning Valley branch (1009) and Catawissa Branch (923). This can be accomplished by replacing the switch at Tamanend and building a short connection to the Lehigh Valley (ConRail) line at the Lofty tunnel. This route is shorter and less steep with cost savings both to ConRail and the subsidized lines. Hazleton's urban renewal problems, also, will be resolved.

RSPO should examine this attempt to rationalize the system to impartially calculate the cost savings involved.

We believe all of these situations represent attempts on our part to offer constructive improvements to the eastern railroads and savings to society. RSPO is in the position to provide great assistance to both shippers and the carriers in matters of this sort. We look forward to working with you in exploring these problems.

Respectfully yours,

E. L. Tennyson,
Deputy Secretary,
Local and Area Transportation.

[FR Doc.77-12824 Filed 5-4-77;8:45 am]